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THE JOURNAL OF  
THE INSTITUTE OF CHARTERED ACCOUNTANTS  
IN ENGLAND AND WALES

MAY 1960

PRICE 2s. 6d.

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# Accountancy

The Journal of THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

ESTABLISHED 1889

Incorporating ACCOUNTING RESEARCH

VOL. LXXI

MAY 1960

NUMBER 801

*The annual subscription to ACCOUNTANCY is £1 10s., which includes postage to all parts of the world. The price of a single copy is 2s. 6d., post free 3s. The publication day is the twentieth of the month (the day before if the twentieth is a Sunday). Editorial and Advertisement Offices: Moorgate Place, London, E.C.2. Telephone: Moorgate 5644.*

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## Professional Notes

### Regulating Takeover Bids

WHAT AMOUNTS TO a new official code for takeover bids has been issued. The Board of Trade has put out new draft regulations to regulate more stringently the operations of "licensed dealers in securities" under the Prevention of Fraud (Investments) Act. The new rules mainly affect the purchase of securities, not (like the old rules of twenty years ago) their sale—the takeover bid has replaced the dubious offer to sell shares as the centre of interest. While the rules do not apply to members of stock exchanges, since they are not licensed dealers under the Act, it is clear that the City as a whole is expected to observe the code. There is no occasion for criticism or surprise that the Board of Trade has issued its draft regulations without awaiting the recommendations of the Jenkins Committee on the reform of the Companies Act and the Prevention of Fraud (Investments) Act, for,

firstly, the Board has to fulfil its current responsibilities under the second Act, and, secondly, it cannot be expected to stand on the sidelines while the takeover deal is in such vogue, sometimes with abuses. Comment on the draft rules is invited before they are laid before Parliament in their final form for approval: they are published in a draft Statutory Instrument, Borrowing and Securities—Prevention of Fraud (Investments)—Licensed Dealers (Conduct of Business) Rules, 1960.

The new requirements are very detailed, but we summarise the main ones. Any takeover bid must remain open to all offerees for at least twenty-one days, and if an offer which was conditional becomes unconditional the offeree must have a further period of at least seven days and not more than twenty-one in which to accept. The offer to acquire must not be conditional on acceptance of provisions for payment to directors for loss of office.

There are also regulations for the scaling down of acceptance when less than the whole amount outstanding is to be purchased. The offeror must state the amount of securities held in the corporation for whose shares an offer is made, the time and method of payment (if in the form of cash) and the period within which any other form of compensation is to be received. If the offer is made by an agent he must ascertain whether his principal is able to implement the contract. The offeror must disclose any agreement with the directors of the offeree company, and any change, of which he may have knowledge, in its financial position since the last balance sheet. He must also say whether the securities purchased are to be transferred elsewhere and, if so, to whom.

The duties of the directors of the offeree company are laid down. They must disclose all particulars of their position, present and prospective, *vis-à-vis* both their own company and the offeror, whether by shareholding or otherwise. They must further reveal any change in the financial position of the offeree company since the last balance sheet and, if the shares are not quoted, any information about the number, amount and price at which shares have changed hands over the preceding six months.

Any bid circular must name the exchange on which dealings take place and give the prices at which the shares have been dealt in; if there is no regular market, all information available must be given, including restrictions on transfers.

#### An End to £ s. d.?

THE JOINT REPORT of the Committees appointed by the British Association and the Association of British Chambers of Commerce on a decimal coinage and the metric system of weights and measures is now in print.\*

The Government is urged to make an early decision for or against adopting a decimal coinage—on the whole the compilers of the report would evidently like the decision to be in favour. The longer any such

decision is delayed, the greater will be the cost of converting the growing number of machines. If it is decided to change, a minimum period of three years' notice would be required for preparations. There is a wide approval for the change but some disagreement on the system to be adopted. The evidence does not, however, necessarily reflect the views of the public, who would have to approve and understand the change. The advantages would be great in the fields of business machines and education, and the system can be adopted whatever system of weights and measures is in vogue. The advantage in foreign trade is felt to be slight. The main disadvantages are cost and some dislocation. Some idea of the major cost is given by the table. In addition, there would be other costs, including the expense of altering business records. The figures in the table are far from certain, as the number of machines cannot be determined. The Committee is sure the cost would exceed £100 million on the basis assumed, but with long notice would be greatly reduced, while after replacement of old machines the general level of equipment would be much improved. There is a general belief that the long-term benefits would substantially outweigh the adjustment costs.

In evidence taken by the British Association in 1958 from the Institute of Chartered Accountants in England and Wales the Council said that in its opinion a majority of members would favour decimalising the coinage.

If a decimal currency is to be in-

troduced, there is almost universal agreement that the pound should be retained. The halfpenny, although worth much less than the farthing fifty years ago, is considered essential—newspapers cost 2½d.—and to combine these requirements the system must be either the £-mil or the £-cent-decime. Systems based on ten shillings, the shilling or the penny are excluded, but if a main unit other than the £ were acceptable the ten-shilling-cent system is considered the most suitable.

—But not to Lbs., Sq. Ft. and Yds.?

ACCOUNTANTS, THOUGH MUCH more concerned with the coinage than with weights and measures, will for the most part, we think, consider the report to be correct in not recommending the compulsory adoption of the metric system of weights and measures at the present time. A two-yearly review of the situation by the Board of Trade in conjunction with commerce and industry and with similar bodies in the Commonwealth and the United States is recommended to ensure that we are not left out of a movement towards the metric system which may become worldwide—the system is at present growing in popularity outside this country. It would then be possible to indicate in what sections of British industry an increased use of the metric system would be most useful. Meanwhile, some rationalisation of the existing system is recommended by dropping out such intermediate measures as quarters, rods, square rods, pecks and other odd survivals, and the

Number	Machines Type	Costs
390,000	Cash registers .. .. .. .. .. ..	C £11,500,000 R £40,000,000
225,000	Adding machines .. .. .. .. .. ..	C £16,740,000
65,000	Calculating machines .. .. .. .. .. ..	R £47,400,000
85,500	Accounting machines .. .. .. .. .. ..	
40,000	Franking machines .. .. .. .. .. ..	C £380,000 R £400,000
800,000	Price computing scales .. .. .. .. .. ..	C £9,700,000
25,000	Petrol pumps (price computing only) .. .. .. .. .. ..	C £900,000
150,000	Coin-operated vending and amusement machines .. .. .. .. .. ..	C £250,000
150,000	G.P.O. Telephone boxes .. .. .. .. .. ..	
22,000	G.P.O. Stamp machines .. .. .. .. .. ..	C £750,000
13,500	Taximeters .. .. .. .. .. ..	C £200,000
TOTAL, say .. .. .. .. .. ..		£128,000,000

\* *Decimal Coinage and the Metric System—Should Britain Change?* Pp. 107. (Butterworths: 7s. 6d. net.)

omission from school curricula of Troy, pennyweight and apothecaries' systems. (Do you remember how many scruples there are in an ounce?)

Finally, the report argues that, whether a decimal coinage or a metric system of weights and measures is adopted or not, much greater emphasis should be placed in schools on the teaching of decimals and the metric system from the earliest stages.

#### Auditors Vindicated, Directors Censured

THE REPORT OF the inspectors appointed by the Board of Trade to investigate the affairs of *Wright Hamer Textiles* adds an instalment to the sorry story of *Hide & Company*. The inspectors were Mr. Norman J. Skelhorn, Q.C., and Sir William S. Carrington, F.C.A. (a past-President of the Institute), who also conducted the investigation into *Hide & Company* (see our issue of January, 1960, page 4) and the two reports interlock.

A sad state of things in *Wright Hamer Textiles* is revealed. Although the original estimate of profits for one year given in the offer for sale of the shares was almost realised, after that there was a long series of losses caused by faults in premises purchased, by failure to cover commitment to deliver woollen cloth by purchases of raw material, by inadequate costing (causing sales at uneconomic prices), by a partial collapse of the market and by bad management generally. The final conclusion of the inspectors is that, while it would have been difficult for the company to make profits once the post-war boom was ended, bad and inattentive management contributed very materially to the failure.

From the accounting angle two incidents are of particular interest. The shareholders' committee complained of the profits shown in the auditors' and accountants' report in the offer for sale. Two firms of chartered accountants were involved. They were W. H. Shaw & Sons of Dewsbury for *Wright Hamer Textiles* and Andrew W. Barr of London for the issuing house, Ridgeford Trust Ltd. A full investigation, in-

cluding an examination of the working papers and other records of both firms and a particular scrutiny of the basis of stock valuation, convinced the inspectors of the authenticity of the profits shown in the report, which they found no reason to criticise.

The second matter concerns the former firm and in particular Mr. Michael N. Shaw, F.C.A. (now a Member of Parliament). The accounts of *Wright Hamer & Son*, a 100 per cent. subsidiary of *Wright Hamer Textiles*, showed a trading profit of £5,171 for the year to February 4, 1951, after writing down stocks. The directors appear to have wished to write up old wool stocks to current prices, which were higher than cost, but the auditors would not consent. Draft accounts for the ensuing six months were prepared showing a loss of some £30,000, arising, as the auditors explained to the company, solely from fulfilling contracts entered into before February 4, 1951. They quoted from Recommendation 10 of the Institute:

Where goods have been sold forward and are not covered by stocks and forward purchases, provision should be made for the excess, if any, of the anticipated cost over sales values.

The directors thereupon decided to alter the date of the accounts, making them up for the twenty months to end-September, 1951. By valuing stock at this date further losses from the fall in wool prices were written off; the inspectors see no reason for criticising the auditors for giving an unqualified report on the accounts for the twenty months, since the losses on the contracts existing the previous February and the fall in stock values were brought into account. However, the chairman was not content to let the matter rest there and stated in his review that the "accounts showed a reasonably satisfactory profit for the year ended February 4, 1951." Thereupon the auditors wrote to the chairman disclaiming any responsibility for the chairman's review and stating that the sentence quoted was in their view incorrect. The inspectors found the statement in the review thoroughly misleading; they obtained an ad-

mission from the chairman that it would have been better to omit it and that the auditors were right and he was wrong. Meanwhile, however, the shareholders presumably took the statement at its face value and so refrained from any action at that time, when the sequence of heavy losses was in an early stage.

#### A Slice off the Odds

THE PEPIATT COMMITTEE, appointed last November to consider whether it is desirable and practicable to make a levy on betting on horse racing, other than totalisator betting (on which there is already a levy), to contribute to the improvement of breed of horses or the sport itself, has now submitted a report (Command 1003). The members are unanimous that such a contribution is desirable, that it must be statutory—since a voluntary one would not produce sufficient funds—and that it must be imposed through the bookmakers. It would not fail, however, to be passed on to punters.

Bookmakers should be classified in six groups according to the amount of profits derived from horse racing; a bookmaker in the lowest group would pay £50 per annum, and the payments range up to £2,250 per annum for a bookmaker in the top group. Under the scale 87 per cent. of bookmakers would pay not more than £110 per annum.

A Bookmakers' Levy Board would be established and each bookmaker would have to submit yearly a statement, signed by a "qualified auditor"—presumably the familiar definition in the Companies Act, 1948, of a recognised auditor would be invoked—showing in which of the categories his profits fall. The committee is satisfied that the profits from horse racing could be separated from other profits, as required by its scheme. The auditor would be required to certify only the category, and not the actual amount of profits. If not satisfied that the category certified was appropriate, the Levy Board could require the bookmaker to submit his books and records to an independent auditor nominated by the Board, which could then revise the assessment in accordance with the indepen-

dent auditor's report, but with a right of appeal against the revision to an Appeals Tribunal. This Tribunal would consist of a chairman with legal qualifications and two other members, one of whom would be an accountant. The onus would be placed on the appellant to establish by his books or other means that the Bookmakers' Levy Board had not assessed him fairly.

It is estimated that if the 10,000 or so bookmakers believed to be engaged in betting on horse racing obtain permits the levy will yield some £1,000,000 to £1,250,000 in a full year. If the necessary legislation were passed this year the first auditor's certificates would be required in the second quarter of 1962, based on profits for the year ending March 31, 1962. The report seems to assume that the profits statements would all be for years ending on March 31 and ignores the complication that many of the bookmakers who have any accounting years at all end them on other dates. Nor is anything said about the definition of profits for purposes of the certified statements.

#### George Forrest Saunders

IT IS WITH very great regret that we record the death of George Forrest Saunders, F.C.A., a member of the Council of the Institute of Chartered Accountants in England and Wales since 1948. His accounting career began in September, 1920, when he was articled to John H. Bourne, F.C.A., of the Liverpool firm of Lewis and Mounsey. He became an Associate of the Institute in 1926 and two years later a partner in the firm.

Elected to Fellowship in 1934 he devoted himself for some years very largely to the ordinary duties of the practice, but from the time he was elected to the Council he added to this service on official committees, until recently illness forced him to curtail his activities. He had served on the Applications Committee since 1948—as chairman from 1956 to 1959—and on the Parliamentary and Law Committee since 1951—as chairman from 1955 to 1958—his period in the chair of each committee having been preceded by a term as vice-chairman, while he had also served for periods

on other committees, including those on Finance and Planning. At the time of his death he was vice-chairman of the Disciplinary Committee. Among his many services to the profession he will be remembered particularly for his chairmanship of the Parliamentary and Law Committee over a period of almost a decade when conditions were frequently very trying and for his work on the organising committee of the Institute's Summer Course at Oxford, in which he was always keenly interested.

In 1949/50 he was President of the Liverpool Society of Chartered Accountants.

In July, 1956, he was appointed to the Commission of Inquiry into matters affecting the Premier of the Eastern Region of Nigeria (mainly concerning banking). He was a director of a number of companies. His many activities left him little time for the formal presentation of his ideas, which he had in profusion, to a wider audience within the profession, but he will be remembered for his paper on "The Accountant in Practice" which he presented to the Sixth International Congress on Accounting held in London in 1952. We had the pleasure recently of publishing a paper "The Institute's Recommendations" given by him to the London and District Society of Incorporated Accountants.

George Saunders's early death and the passing of his outstanding abilities as an accountant, his zest and his boundless energy, mean a very great loss to the Institute and to his many friends in it.

#### Failure to Keep Proper Books

SECTION 331 (1) of the Companies Act, 1948, provides that:

If where a company is wound up it is shown that proper books of account were not kept by the company throughout the period of two years immediately preceding the commencement of the winding up . . . every officer of the company who is in default shall, unless he shows that he acted honestly and that in the circumstances in which the business of the company was carried on the default was excusable, be liable on conviction on indictment to imprisonment for a term not exceeding one year . . .

A definition of what constitutes proper books of account is contained in sub-Section (2), while an officer who is in default is defined in Section 440 (2) of the Act as meaning:

any officer of the company who knowingly and wilfully authorises or permits the default, refusal or contravention mentioned in the enactment.

In *Laurenson v. H.M. Advocate* (1960, 14 and 15 Scots Law Times 113) the applicant, a company director, had been convicted on a single indictment of three charges under Section 331 covering varying periods between November 20, 1955, and November 19, 1957, when a petition for the winding up of the company was presented. The Sheriff had directed the jury to the effect that failure to keep proper books during any part of the period of two years immediately preceding the winding up constituted an offence under the Section, and this alleged mis-direction constituted a ground of appeal to the High Court of Judiciary.

The Lord Justice-General (Clyde) said that the Section imposed a duty to keep proper books for the whole of the two-year period and that a failure to keep proper books in a part of this period necessarily involved a breach of duty. The Sheriff, however, had not treated the indictment as involving a single charge covering a default committed in three specified ways, but as three separate charges, and had sentenced the applicant on each charge. He had acted erroneously and the sentences could not stand. There was only one charge and the penalty provided in the Section was imprisonment for a term not exceeding one year. A sentence of six months' imprisonment was accordingly substituted for the sentences pronounced by the Sheriff.

#### Productivity—Men and Methods

THE COMING TOGETHER of large numbers of industrialists to visit the Production Exhibition at Olympia gave the British Productivity Council the opportunity of holding, within the exhibition, a five-day conference on Productivity—Men and Methods. Each of the eight sessions was addressed by three or four speakers on



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the chosen topics: Computers and Production Control; Fitting the Job to the Worker; Work Study and Industrial Engineering, Variety Reduction; Quality Control; Communications in Industry; Training Supervisors and Organising for Cost Reduction. Among the speakers three were concerned with accounting: Mr. B. D. Tait, Mr. C. E. Sutton, F.C.A., and Mr. H. H. Norcross, F.C.W.A.

Mr. Tait discussed variety control in industry by variety reduction and by diversification through the manufacture of more products, bringing out how the accountants' figures could show the directions for the exercise of the control. Mr. Norcross, in the course of examining the tools available to management for reducing costs, gave potted examples of cost reductions actually achieved. Mr. Sutton's paper was a detailed one on budgetary control.

We understand that within the next three months or so the whole material of this worthwhile conference will be available in published form for those wishing to study the subject. Meanwhile the Council is holding from May 30 to June 10, 1960, at the Clifton-Ford Hotel, Welbeck Street, W.1, an instructional course on Integrated Cost Reduction, while the South London Productivity Association is running at the Borough Polytechnic, S.E.1, on June 14 and 15, 1960, a seminar for senior executives on Variety Reduction.

#### Compulsory Acquisition—Loss of Future Profits

UNDER SECTION 2 (2) of the Acquisition of Land (Assessment of Compensation) Act, 1919, land taken over compulsorily has to be valued on the open market basis, while in certain circumstances, under sub-Section (6), loss due to disturbance or severance is claimable as well as market value (but see *Venables v. Department of Agriculture for Scotland* (1932) S.C. 573, and *Horn v. Sunderland Corporation* [1941] 1 All E.R. 480). In the recent case of *D. McEwing and Sons, Ltd. v. Renfrew County Council* (1960) 16 & 17 Scots Law Times, 140, building contractors claimed compensation, *inter alia*, under the head of

"disturbance" for estimated loss of profits from forty-five houses to be erected on a site acquired compulsorily by the County Council. The arbitrator allowed the claim and the County Council appealed.

In the Court of Session (First Division) the Lord President (Clyde) said that the value of the land was not restricted to its actual use at the time it was taken. Its potentialities (for example, its suitability for building dwelling houses) must be taken into account, for they would obviously enter into the market price. These potentialities, however, must be viewed as possibilities and not as realised in the hands of the purchaser at the date of the takeover. Prospective future profits on future prospective developments could not therefore be claimed in addition to the market value of the land, for the profitability of the land had already been reflected in its market value. This proposition appeared to be justified by *Collins v. Feltham U.D.C.* [1937] 4 All E.R. 189, and *Wimpey and Co. v. Middlesex C.C.* [1938] 3 All E.R. 781, though in both cases the report was brief and no opinions were delivered by the Court. Lord Sorn (who concurred) said it was true that under the head of disturbance claims for loss of profit had often been admitted. A typical case occurred where a factory was compulsorily acquired and an interval elapsed before the business could be restarted in new premises, as in *West Suffolk County Council v. W. Rought, Ltd.* [1957] A.C. 403. There might also be circumstances in which a claim with a loss of profit element could be advanced by a builder who had been dispossessed. One could imagine a situation in which the business was so dislocated by the process of disengagement that for a period it was not in a position to engage in other work. In that situation, if loss of profit could be proved, he would suppose there would be a good disturbance claim.

#### How to Write a Business History

BUSINESS HISTORIES VARY from the glossy trifle, used for advertising, to the work of scholarship. The tendency today is towards the serious

study of business records. Scottish businessmen have financed a Lecture-ship in Business History at Glasgow; the Liverpool University Press two years ago started a journal *Business History*; and technical colleges are beginning to take a hand.

Expert advice for the writer of a business history has hitherto been totally lacking. The need is admirably met by a new Historical Association pamphlet written by four university teachers with practical experience of the problems.\*

The authors point out that the tradition of privacy in business affairs has led to the neglect of the businessman's role in economic history. The inventor has his due; the entrepreneur is overlooked.

A valuable section on old business accounts is contributed by Professor B. S. Yamey. He warns the would-be historian of many pitfalls. Among them are the hidden reserve, the failure to account by periods precisely, and the varying treatment of depreciation. The historian at grips with the double entry of the seventeenth or eighteenth century is recommended to Alexander Malcolm's *A Treatise of Book-Keeping* of 1731.

The pamphlet strongly advocates the employment of trained historians to write business histories. A businessman, it points out, would not call in an amateur to advise on marketing; and the same goes for history. The expense of professional advice is not necessarily a total loss. Charles Wilson's two-volume *History of Unilever*, a widely acclaimed piece of scholarship, has sold 10,000 copies at 45s.

#### The Irish Budget

DR. RYAN, THE Minister for Finance of the Republic of Ireland, in his Budget statement to the Dail on April 27, referred to the surplus of £1.2 million which had been realised for the year 1959/60. He estimated the balance of payments deficit for 1959 at £8 million, and savings for that year, both personal and corporate, at £63 million, as against £50 million in 1958.

\**Business History*. (Historical Association, 59a Kensington Park Road, London, S.E.11; 5s. net.)

His proposals for the future consisted of only minor changes. They included improvements in social insurance benefits and social assistance payments, reductions in entertainment duty on cinemas and dance halls, and the removal of the import levies on clothing, furniture and other items which had been imposed some years ago in addition to the ordinary customs duties. He also proposed to remove the duty of 1d. per gallon on hydrocarbon heavy oils other than petrol.

The child allowance for income tax purposes was to be increased from £100 to £120, and the maximum value at which estates would be exempt from death duties was to be increased from £2,000 to £5,000. Amongst smaller concessions, he proposed that business losses should in future be available to be carried forward indefinitely as against the six years time limit at present in operation.

Dr. Ryan proposed to increase the duty on cigarettes by 1d. per packet of twenty and on tobacco by 1d. per ounce.

#### Price Stabilisation No Benefit

THE RESTRICTIVE PRACTICES court has found that the price-fixing scheme contained in the *Phenol Producers' Agreement* ([1960] 1 W.L.R. 464) is contrary to the public interest.

The scheme had the following four detriments: (1) the price was maintained at a higher level than that obtaining in the free market; (2) it was unrelated to cost of production or any costings formula, so there was no fetter on the amount fixed; (3) the policy of the association had been to charge what the trade could stand; and (4) the scheme permitted no concessions for those who engaged in export or bought phenol under long-term or large-scale contracts.

Even if the price of phenol and related products fell by 25 per cent. in a free market (it was not accepted by the Registrar of Restrictive Practices that there would be such a fall) it did not follow that the loss of revenue would cause tar to be diverted to use as fuel from distillation into phenol and the related

products. There were conflicting opinions about the suitability of tar for use as fuel, whereas there was an assured market for the products of tar distillation. Also, it was uncertain what price tar could fetch as fuel and whether it could compete with oil and coal. There was unlikely to be a shortage of phenol supplies in future because synthetic production could be expanded and in any event the scheme did not increase supplies of phenol: increased supplies followed mainly on increased demand from the plastics industry.

Following the finding *In re Wholesale and Retail Bakers of Scotland Association's Agreement* (1959) L.R. 1 R.P. that:

it is not stabilisation of price by itself alone which is a benefit or advantage; it can only be stabilisation at the right level; it is difficult to envisage circumstances in which stabilisation at an excessive price level could be held to confer benefit on the consumer,

and, affirming the view expressed *In re Yarn Spinners' Agreement* (1959) L.R. 1 R.P. that:

as a general rule, price stabilisation as an alternative to a free market is not a benefit to the consuming public and not necessarily a virtue,

the Court held that the association had failed to prove its case under Section 21 (1) (b) of the Restrictive Trade Practices Act, 1956.

#### By Rail to France?—

AIR? HOVERCRAFT? "Old-fashioned" sea ferry? Bridge? Tunnel? Possible ways of crossing the twenty miles or so of English Channel are becoming embarrassingly numerous. Possible and numerous, but costly. The choice of what shall be the main cross-Channel service must be made largely on economic considerations. It is now for the Government to begin the process of choice, by saying whether or not it accepts the need of a tunnel. The economics of the project, with the technicalities as well, have been placed squarely in front of Ministers and their advisers in a report made at heavy expense by the Channel Tunnel Study Group.

The report rejects a bridge and a road tunnel as being too expensive,

and proposes that there should be two parallel one-way railway tunnels with cross-over junctions and an ancillary service tunnel. Cars would be carried on the railway. The journey from London to Paris would take 4 hours 20 minutes. We leave aside the technical aspects, except to say that the evidence seems conclusive that the project is feasible engineering-wise. The economic and financial factors will bear some attention.

The construction of the tunnel (strictly, tunnels) at current prices is estimated to cost £80 million, while interest charges while the work is going on would add £14 million and working capital, expenses of issue and compensation to the original Channel Tunnel companies a further £6 million, making £100 million to be found by the concessionaires. In addition, railway installations, terminals and rolling stock, including an addition to the French road terminal, would come to £32 million. It is estimated that the tunnel could start operating in 1965 and, at that date, maintenance and renewals would cost £1.3 million a year, rising to £1.5 million in 1980. All these figures appear to be at current prices. Traffic forecasts, entrusted to three bodies in London, Paris and Chicago, resulted in estimates, said to be conservative, of 3.2 million passengers in 1965 and 4.8 million in 1980; 0.7 million and 1.1 million accompanied vehicles in the two years; and 1.2 million tons and 1.6 million tons of goods. The estimates assume that the railway short sea services would cease to operate. On these figures charges could be 5 per cent. below the 1958 level for carrying passengers by sea ferry, nearly 30 per cent. below for accompanied vehicles and about 50 per cent. below for goods. Receipts would be £13 million in 1965 rising to £21 million in 1980—in the earlier year, almost 10 per cent. on the total estimated cost.

#### —And the Financing

IT IS PROPOSED that the British and French railways should bear the initial cost—that is £32 million—

beyond the construction of the tunnel itself, and that of the remaining £100 million an issue of bonds at 6 per cent. (current market rates being assumed) should raise £80 million, the remaining £20 million being in equity stock. The company, an international one to be created by Anglo/French treaty, would require an exclusive concession for 99 years with a firm agreement on governmental rights of purchase and exemption from all taxes in the United Kingdom and from certain special taxes in France (the tax exemption, which one can hardly see the British Government allowing, is not expected to extend to holders of securities in the company). Cover from the governments would also be needed against any "over-run" in construction costs beyond the budgeted figure. In addition, the governments would have to guarantee the company and the railways against construction being abandoned, delay in completion, or the tunnel becoming inoperable through *force majeure*, while the governments or the railways would have to give a direct guarantee of the bonds.

The railways would pay to the company tolls fixed so that they (1) varied according to the volume of traffic, (2) were geared to the internal purchasing power of the pound and the franc, (3) left the railways a portion of the gross receipts from the traffic and (4) allowed them in certain circumstances to share in the net profit of the company.

The creation of the company under Anglo/French treaty would to some extent reconcile the principles of British and of French law, but Swiss law could apply on matters outside the treaty.

The financial proposals certainly present no bargain to the governments or the railways and if the project went ahead would no doubt have to be adjusted pretty drastically. The report says that on the proposals as put forward the finance could be arranged over four years in the markets of Western Europe, including London, but if resort to capital from North America were thought desirable, further government co-operation would be needed.

#### The Liberals on Company Law

THE LIBERAL PARTY seems to be the first organisation, political or otherwise, to publish submissions made to the Jenkins Committee on Company Law. The three main subjects—the order of importance is that of the party—are co-partnership, takeover bids and donations of companies for political purposes.

It is suggested that the rights and duties of employees should be prescribed in the Articles of Association before incorporation of a company with more than a stated number of employees and that existing companies should be required to come into line within a specified time. Among other things there might be provision for joint consultation, employee shareholding, partnership schemes and works councils. Free transferability of employee shares between employees and ex-employees of a private company should be permitted without jeopardising its private status; shares without voting rights are not opposed, except if issued to employees; shareholders should have a statutory right to request the Registrar of Companies, and not the secretary of the company, to verify proxy appointments so that employee shareholders could have their views ventilated at meetings without risk of individual victimisation. Employees' shares in a co-partnership scheme should not have their rights varied without consent of holders of a majority of such shares.

Full and frank disclosure of intentions and personalities should be compulsory at all stages of a takeover bid and a licence from the Board of Trade should be necessary for the amalgamation of companies one at least of which is of a named size, and for any transaction involving change of control. Dealings in shares should be suspended while the bid is being considered by the members of the company to be acquired, and the proposed acquirer, or the directors of an acquiring company, should file with the Board of Trade a declaration of having had no dealings in the shares of the company during two months before the bid. Conditions of employment or dismissal of em-

ployees of the company to be acquired should require the approval of the Board of Trade.

No objection is raised to political donations providing it is obligatory to publish full details in the annual accounts.

#### Two Rare Books Acquired

A VOLUME CONTAINING two early books has been added recently to the collection of the Institute in the library. They are as follows:

PASI, Barth. *Di Tarifa de pexi e mesure. Qui comincia la utilissima opera chiamata taripa laqual tracta de ogni sorte de pexi e misure conrispondenti per tutto il Mondo fata e composta per lo excelente et eximio miser Bartholemeo di Paxi da Venetia . . . Venice.* Tariff of weights and measures. Here begins that most useful work entitled tariff which treats of every kind of weights and measures throughout the world and was made and composed by the most excellent and distinguished Bartholemeo di Paxi da Venetia . . . Venice. Albertin da Lisona, 1503, 4to. Original stamped limp calf with flaps.

This book is not a textbook on arithmetic, but a collection of information useful to merchants, relating to the measures of weight, value, length, and the like, of the various cities and countries with which Venice had trade relations. It is valuable as leading to an understanding of the contemporary arithmetics of Italy, and historians could find much useful information on the prices and the material of trade by examining this and similar works.

At the end are twenty-six manuscript pages with annotations from an Augsburg merchant running from 1507 to 1548, keeping the work up to date. The book is very rare.

Bound with the *Pasi* is:

BORGHI, P. *Libro de abacho: Qui comenza la nobel opera de arithmetiche ne laqual se tratta tutte cosse a mercatia pertinente fatta e compilata per Piero Borgi da Venesia . . . Venice, Z.B. Sessa, 1501.* Book of accounting. Here begins that noble work of arithmetic which treats of all pertinent matters relating to trade and commerce, drawn up and compiled by Piero Borgi of Venesia.

This rare book is on arithmetic for the merchant.

Internal Auditors' Conference—  
OPENING THE CONFERENCE of the

Institute of Internal Auditors held in Blackpool on May 5 and 6, Mr. J. O. Davies, F.C.A., A.C.W.A., European Regional Vice-President, said the event marked a new development in that it was the first assembly of more than one of the seven United Kingdom Chapters, which now had 280 members (many of them are also members of the Institute of Chartered Accountants in England and Wales). The parent body as a whole has 4,400 members, mainly in the United States. The total attendance at the conference was about eighty.

Mr. A. B. Hecker, F.C.A., C.P.A., Vice-President of the New York Chapter, spoke on "Management Oriented Internal Auditing in the United States." The business of the internal auditor, he said, was auditing for profit. He started with a financial audit but went further behind the vouchers and accounts than the independent auditor did, with a view to serving management rather than offering an opinion on financial statements. Many internal auditors in the United States were now preparing in advance for the time when they would have to audit records from computers.

#### —Industrial Progress and the Internal Auditor—

A PAPER BY Mr. A. Quartermann dealt with the future pattern of industrial progress. Progress in technology had been continuous, but we were now in the age of automation, which Mr. Quartermann defined as "the integration of handling methods and processing of articles, together with the mechanisation of thought processes to achieve automatic production." Complete automation required temperature control and air conditioning—these and many other factors meant that the modern plant layout would differ radically from the old, which was based primarily on human skill. Servo-mechanisms worked faster than human beings and demanded computer control; with the speeding up in the works, there must go a high degree of mechanisation or automation in administrative services. Since the war the main effort had

been to raise production, but it was now evident that administration was proving a brake: the computer might take the brake off. With computers "management needs to consider only those things which are about to go wrong and these will be highlighted almost instantaneously, not several days or even weeks after the event." Mr. Quartermann saw every prospect that the challenge of developing automatic processes would prove irresistible. But it was difficult to foresee much automation in those industries which were among the oldest and most fundamental.

There was an impressive contribution by Professor R. W. Revons of the University of Manchester on "What Industry Expects of the Internal Auditor." Professor Revons saw the solution to the economic problem of this country, which was not keeping pace with its principal competitors, in the education of management in scientific methods. We needed specialists and more of them, but "management must be less analytical in what it means to do, in how it plans to do it and how it controls the doing of it than is the professional scientist whose services it employs." Management needed to develop improved methods of control so that hindrances to the fulfilment of policy might be known as clearly and quickly as possible. Professor Revons suggested that present methods too much resembled those of the criminal court, pronouncing a verdict after the event. Management needed detailed information more promptly than most costing systems provided it. Among useful tools was work study which when expanded into operational research went beyond seeing how lines of policy were carried out and inquired whether those lines were best suited to the business, so becoming a major organ of management.

The part to be played by the internal auditor would be determined largely by himself—not by what management expected but by what he could offer. Management required ready-made help of a fresh kind and an evident supply would immediately create the demand for it. The scope of the work had been described by

#### the Institute of Internal Auditors:

The internal auditor should be concerned with any phase of business activity wherein he can be of service to the management. The attainment of this . . . should involve . . . reviewing and appraising the soundness, adequacy and application of accounting, financial and operating controls.

One inquiry which might repay investigation within individual firms, said Professor Revons, could start from the fact that industrial stocks of all kinds in the United Kingdom had risen between 1955 and 1959 by 5½ per cent. per annum at constant 1954 prices, whereas production was up by only 1.4 per cent. per annum. Business did not flourish by accumulating stocks. Total holding charges could be reduced by (in the words just quoted) reviewing and appraising the adequacy of operating controls.

The internal auditor must know something of method study and he must have friends in other departments who would be prepared to supply information. The internal auditor was usually to be found in the chief accountant's department; Professor Revons thought there was something to be said for separating him from the chief accountant. "I am told that some people can grow to tolerate even accountants, but there should never be any suggestion of the internal auditor thinking that he has anything in common with them. . . . He must, like the famous Cockerton, be free to criticise the accountant along with everybody else." Perhaps he was most suitably attached to a small central unit like the office of the economic adviser or of the assistant to the chairman.

#### —Problems for the Internal Auditor

THE FINAL SUBJECT of the Conference, "How Industrial Progress will affect Internal Audit", was covered in two sections by Messrs. R. C. Bedford, F.C.A., and S. A. Grimes. One point raised by Mr. Bedford was that the survey of internal audit in the United Kingdom, made last year by the London Chapter, showed that the great majority of internal auditors had the independence essential to their work and sufficient scope to



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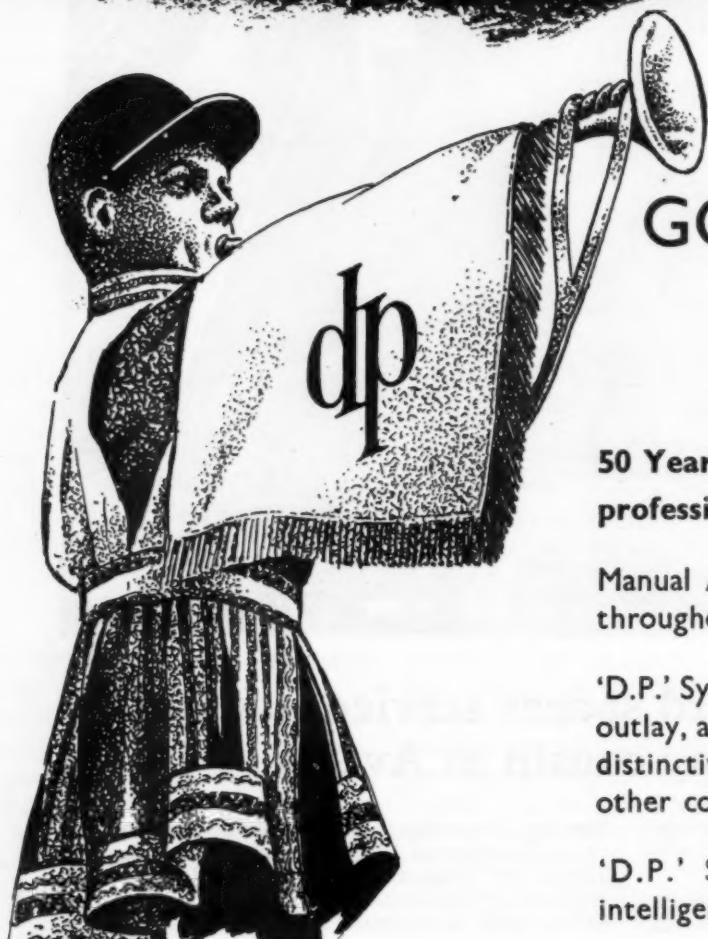
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render the maximum service to management. The introduction of new recording and control techniques in office and factory might eliminate many human links and provide information that could not be readily obtained at present. These changes should free the internal auditor to undertake more fundamental appraisals in the areas of operational significance. In the face of stronger oversea competition industry would tend to form into larger groups, increasing the need of top management for an internal consultancy service competent to make independent surveys of the operating units and special appraisals in the problem spots. The internal auditor should be qualified to give such a service, and should demonstrate to management his capacity to do so.

Budgets and forecasts prepared by planners and co-ordinated by accountants and budget offices should be scrutinised by the internal auditor before they were submitted to management: as the modern concept of internal audit gained wider acceptance the practice was growing, but it still did not obtain in many concerns.

Mr. Grimes was principally concerned with the introduction of computers as they affected the internal auditor. Where they merely did what the clerk previously did, no difficult problem presented itself, but with large-scale electronic data processing systems the source documents might be quite inadequate for the purposes of internal audit. The auditor would have to be trained in E.D.P. systems. Computers would help in operational research, of which, Mr. Grimes suggested, much more would be heard in the future.

of Mr. H. W. Auten alleging that he had been financially ruined by conspiracy among a number of defendants. Baker Todman and Company, Chartered Accountants, one of the defendant parties, had not been guilty of any misconduct or breach of duty. His Lordship said that he could only draw the inference that Mr. Auten had produced false accounts because he had spent some of the business money on himself. He further stated that there was no hope that the defendants would ever recover a penny of their expenses, and that their sole consolation for the grievous cost in money and misery they had suffered was that each left the Court with an unsullied reputation. Mr. Auten had been legally aided and had no funds. The question of extending legal aid to the opponents of unsuccessful litigants is being taken up in correspondence in the Press. It has been ventilated on many occasions in the past and the reform has long been advocated by the Law Society. The Auten case, however, seems to have greatly strengthened the feeling that a grave injustice exists and should be remedied.

#### New President and Vice-President of Association

Mr. John Edward Harris, B.COM., F.A.C.C.A., has been elected President of the Association of Certified and Corporate Accountants for the year 1960/61. Mr. Harris, at thirty-seven, is the youngest man to be elected President of the Association and the youngest president of any professional body in post-war years. He is a partner in R. P. Oppass, Billings & Harris, Certified Accountants, of London and Belvedere, and also the managing director of a British group of companies owned by a Swiss concern. He also holds other directorships. For a number of years to 1958 he was a Lecturer in Accounting at the London School of Economics. He was one of the authors of *Simon's Income Tax*. The new Vice-President of the Association is Mr. George Leaning Barker, F.A.C.C.A., senior partner in George L. Barker & Co., Certified Accountants, of Leeds.

#### New President of American Institute Nominated

Nominated as the new President of the American Institute of Certified Public Accountants earlier this month was Mr. Louis H. Pilie, C.P.A., of New Orleans. Mr. Pilie is senior partner in Barton, Pilie, Hughes and Jones. He has served on a number of committees of the

American Institute and is a former vice-president. He is active in public affairs in Louisiana.

#### No Early Legislation on Bankruptcy

The Government announces that it is still considering the report of the Committee on Bankruptcy Law and Deeds of Arrangement Law Amendment, which reported in August, 1957 (see ACCOUNTANCY for September, 1957, pages 374 and 385, and for October, 1957, page 414). It is officially stated that there is little prospect of early legislation.

#### Purchase Tax—Sale-or-Return Terms

The Customs and Excise have found in some periodical returns submitted by dealers to their suppliers considerable inaccuracies in the dates of sale or appropriation. The returns in question were made at about the time of the 1959 Budget and the inaccuracies meant that the goods were improperly rendered liable to the post-Budget rates of tax instead of the higher pre-Budget rates. The registered suppliers are being required to make good the loss of tax. The Commissioners of Customs and Excise state that they are greatly disturbed at the extent of these irregularities, that returns under sale-or-return arrangements must be furnished to registered suppliers promptly and accurately and that "continued laxity in this matter might cause fresh consideration to be given to the reactions of this system of trading on the purchase tax."

#### Limited Partnerships

The infrequency of formation of limited partnerships these days is shown by the fact that in 1959 only twelve were registered under the Limited Partnerships Act, 1907, and they had a subscribed capital of barely £12,000. The figures had been comparable in the previous four years or so, but in the war years and the first decade after the war were rather higher, though even then considerably less than before the war.

#### More New Business Names

Last year there were rather more than 38,000 new registrations under the Registration of Business Names Act, 1916, compared with somewhat fewer than 35,000 in 1958. Nearly 10,000 names were removed from the registers and the total remaining on them at the end of 1959 was just over 794,000.

## Shorter Notes

### The Auten Case

After a hearing in the High Court lasting forty-four days, Mr. Justice Glyn-Jones dismissed with costs the damages claim

## EDITORIAL

### Parkinson's Second Law

"PARKINSON'S LAW" has now become a term in the language, and most people have a pretty clear idea of what the law says. It is obviously impossible to measure its influence at all exactly but within the experience of many of us the law, with its much more minatory overtones than the "empire building" with which we had to be content before, is quite commonly quoted when staff expansion is on any agenda. An ailment precisely described and named is a great deal easier to treat than a vague pain; Professor Parkinson has probably had a quite considerable effect on the development of English and American organisation. On occasion that effect can be a bad one, for Parkinson's Law that work expands so as to fill the time available for its completion can be used by the timid to justify turning down a properly expansionist proposal; but on balance it has surely produced more good than harm.

Now Professor Parkinson is at it again. His new book *The Law and the Profits* (John Murray: 15s. net) gives us a Second Parkinsonian Law. Will the Second Law repeat the performance of the First? We may hope so, for in itself—"expenditure rises to meet income"—it is obviously as true as the original doctrine, and the argument that Professor Parkinson builds on it is weighty. He points out as hardly needing argument (and indeed it does not) that the Second Law is within the common experience of nearly all of us. And he goes on to demonstrate how consistently it is also true of national income and expenditure, notably how taxes that are increased to meet the exigencies of war are never reduced when peace comes: for expenditure, always for the most meritorious purposes, comes galloping up to absorb them. Danger points propounded are—first, where taxes exceed 25 per cent. of the national income (here further taxation becomes inflationary) and second, where they go over 30 per cent. (here the country's international influence enters on decline). The percentages are arbitrary but the thesis is one to be harkened to most attentively. For himself, Professor Parkinson thinks that we in Britain have passed the point of no return, and seems quite serious in thinking so.

Not that anyone who read *Parkinson's Law* will expect *The Law and the Profits* to be a wholly serious work. It is in fact a very funny one, and only once or twice does the author's enthusiasm in lambasting this or that example of governmental folly or ineptitude stretch a joke a little thin. At its opening the book will win many accounting hearts with its trouncing of the form of our national accounts: ". . . accounts which would disgrace

and discredit a third-rate dog-racing company are solemnly presented each year to the nation. . . . They are not true and they do not balance. . . . They present only a picture of archaic and dignified confusion." This gambit leads naturally enough to a consideration of how ineffective and indeed positively extravagant Treasury control of expenditure is in practice. And the examples of waste, extravagance, mismanagement, which multiply through succeeding chapters—examples drawn as freely from American as from British experience—are dreadfully credible and horribly convincing.

The point of their recital is that whereas governments should, like any prudent individual, decide first how much money they have and only second how it should be spent, the Western way is exactly the opposite. And as a result there is no check anywhere on extravagance, for, as most of us know as individuals, the only real check on extravagance is lack of money to be extravagant with. The obvious answer to all this is that *The Law and the Profits* is merely another plea for the cutting out of waste in governmental spending, and that even to cut out all such waste would hardly scratch the surface of the massive realities of modern budgets. It is the obvious but quite misguided answer, which fails to understand the new Parkinson proposition. Extravagance of the kind discussed here is not a marginal matter, for it underlies all the thinking that produces the expenditure. Cloth seems to be unlimited: there is no check on the cutting of the coat. Only the nation can spend first and collect the money to pay the bill afterwards, for only the nation has a bottomless purse. Professor Parkinson wants to remind us that it is only apparently bottomless; and he points out as an incidental irony that armament policy and the Welfare State alike would be more efficiently run if the operators had to work to an orthodox accounting.

Nevertheless, the Professor applies his law too narrowly. True, a company rarely forgets that it must make profits and it cannot levy taxes or borrow newly-created money (though it can often swing its customers). But it can become woefully careless of the odd thousand or two pounds, even the odd million or two, so long as its profits are rising. And the business executive is not so greatly different a person from the government official. The Second Law of Parkinson holds, in the end and in some degree, over the greater part of our economic life, not only over the "public sector." Accountants in the "private sector" should be among those most aware of its insidious dangers.

The presidential address of Mr. C. U. Peat, M.C., M.A., F.C.A., at the seventy-ninth annual meeting of The Institute of Chartered Accountants in England and Wales on Wednesday, May 4, 1960.

## The President's Address

IN THE ANNUAL report you have had a full review of the activities during the past year. My aim today is to try to look forward, taking as my starting point the implications of the present large size of our membership and intake of articled clerks.

### Membership

Our membership at the beginning of this year was over 32,500 and it has since been increased to over 33,000 by the admission to membership of those who were successful in the Final examination last November. In each of the past two years there have been over 2,600 new articled clerks, which is twice the rate of recruitment during most of the post-war years and four times the rate of recruitment during the immediate pre-war years.

These figures serve to emphasise the serious responsibility resting upon the Council and upon each individual member of the Institute to ensure that our size is matched by our quality. From time to time we must look critically at our recruitment, our education and training arrangements, and the quality and range of the professional services which we provide.

### Recruitment of Articled Clerks

During the past year the Council has done much to stimulate interest in the profession among those leaving school and the universities. We have distributed widely the introductory booklet *Why Not Become a Chartered Accountant?* and its companion which the Council issued last October under the title *A Career for Graduates*. We have also had meetings with careers masters and university appointments officers. In addition we have sent letters to public schools and grammar schools and the principal girls' schools inviting inquiries and offering assistance with introductions to members having vacancies for articled clerks. For this purpose we have a very active interviewing and introductory service at the Institute. On a smaller scale a similar service is provided by the district societies.

The Council can stimulate interest, assist with introductions and lay down the minimum educational standard required for entering into articles. It is for the individual practising member to do the rest. First and

foremost he should exercise great care to satisfy himself that he selects only candidates who appear to have the right outlook and qualities. He should be sure that the candidate understands the significance of articled service, the kind of training he will receive, the serious obligations he is undertaking towards himself and his parents, and the kinds of career available to him after qualification.

Premiums are now virtually a thing of the past. Instead, we must recognise that young people of the quality we require now stand at a premium themselves. The immediate attractions of industry and commerce are often considerably greater than we can hope to offer. Nevertheless we seem at present to be holding our ground in recruitment and it is particularly satisfactory to know that there has been a substantial increase in the number of university graduates entering into articles, although the number is still far too small.

There can be no doubt that a person of the right outlook and ability can achieve a full and satisfying career as a chartered accountant, and our aim must be to emphasise this long-term outlook if we are to avoid losing valuable recruits because of the more immediate financial gains to be obtained in other occupations. Finally, however attracted to the profession a youngster may be, he may well find it impossible to contemplate entering into articles without a salary on which he can maintain himself.

### Education and Training

Throughout the period of his articled service an articled clerk must obtain the training and education required not only to pass the Institute's examinations but also to equip him properly for his future responsibilities. As you will know from the annual report, our Parker Committee on Education and Training is still sitting and I must not say anything which might appear to anticipate what its recommendations will be. Nor must I say anything which appears to prejudge the issue. I will therefore content myself with one observation which I feel I can safely make.

Two-thirds of the clerks who entered into articles last year were articled in firms having from one to four

partners. Within that range of firms the articled clerks were fairly evenly spread, both in London and the provinces, over the four sizes of firm. At the other end of the scale the large firms had only a small proportion of the total; less than 9 per cent. were articled in firms having ten or more partners. The great majority of our future members are therefore in the care of small firms, who should recognise that they have a tremendous responsibility to ensure suitable and adequate training for their articled clerks if the chartered accountants of the future are to be worthy of the name.

I am not myself satisfied that some firms are really suitable for the training of articled clerks, as I do not feel that their range of clients enables them to provide in full the right types of experience. For example, the independent audit is one of the vital services of our profession and it really is fundamental to the training of a would-be chartered accountant that he should have a depth of real auditing experience.

As I have said, I must not appear to pre-judge the issue; but whatever may be the outcome of the work of Mr. Parker and his committee, I am sure no one will disagree with me when I say that the first question which a member should ask himself before taking an articled clerk is whether his practice can really provide an adequate range and depth of experience. If the member feels that his practice is suitable then his task is to ensure that the articled clerk is given the full treatment and provided with every facility which he needs, so that in due time he will be not only a person who has passed his examinations but also a person who by reason of his practical experience, integrity and appreciation of professional ethics is really fitted to be a chartered accountant. In this way we can be sure that future generations will improve on our standards as we have improved on those of our predecessors.

#### Quality of our Services

We are within a few days of the Institute's eightieth birthday. During those eighty years the stature of our profession has grown enormously. From a very small beginning, when people were not anxious to be seen in the company of a chartered accountant because this might signify insolvency, we have progressed to the stage where we are now well established and sought after for our indispensable services to those engaged in all kinds of business activity. Some of us render our services internally in business organisations; some of us do so as independent public accountants. In both fields the range of our work is continually expanding and we need to keep abreast of current developments in our own professional techniques and in the various aspects of law which touch upon our work.

We have long since passed the day when any one chartered accountant could properly claim to be fully up to date and expert in all the work of the profession. We must therefore all realise our limitations. None of us should undertake work which he does not feel fully competent to do, and we should make sure that the work we do undertake is carried out to the highest standards. In

a speech of this kind I cannot go through the whole range of the work of the profession, but there are two particular aspects which I will mention because they are so important.

First may I stress our function as auditors. Auditing techniques have changed a good deal and they will go on changing. During the past eighty years there have been some revolutionary developments in the nature of business records and yet I feel that we have so far had only a preliminary glimpse of the impact of electronics. As auditors therefore we must concentrate our attention more and more on the fundamental objective, namely to give our professional opinion on the truth and fairness with which a financial statement is presented. Everything the auditor does should be done with that aim in view. All the tests, inquiries and examinations he makes should be for the purpose of satisfying himself that the financial statement is fairly presented and is a true representation of the outcome of the transactions which have taken place.

Whether the links between each transaction and its reflection in the final statement are in the form of handwritten records or machine records or sheer magnetism is of relatively little importance. The important thing is that there should be a true and fair reflection and that whatever system is in operation is properly designed and supervised to ensure that this will be achieved.

If as auditors we approach our work in that frame of mind we need not be unduly perturbed by startling scientific developments. On the contrary, we shall come to welcome anything which reduces our own detail work and enables us to concentrate more fully on the objective. This means however that we shall have more and more need for skilled accountants as distinct from junior staff, and we can only satisfy this need by providing adequate training in our own offices.

The other matter which I wish to emphasise is the very great importance of further development in the field of management accounting. I am not very fond of this expression, but the description does not particularly matter so long as we all understand what it means. In 1954 the Council issued a pamphlet called *Management Accounting: An Outline of its Nature and Purpose* which has since been reproduced in the *Members' Handbook*. The Council there said that any form of accounting which enables a business to be conducted more efficiently can be regarded as management accounting. It consists of the production and presentation of accounting information which is of direct assistance to the management in the formulation of policy and the day-to-day control of the business.

This is a vital service which many members are already providing either as officers of industrial and commercial enterprises or as independent advisers, but a great many more members ought to turn their attention to it. There is a vast area of business activity carried on by small and medium-sized concerns which I believe could benefit greatly from sensible down-to-earth advice on management accounting from practising members of the Institute.

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should seize this opportunity. We must, however, do it properly. Each practising member ought to make a thorough appraisal of his knowledge and experience, the organisation of his practice and the facilities and staff at his disposal so that he can decide what services he can properly undertake for his clients.

Having placed special emphasis on auditing and on management accounting because they are of such special importance to our profession, may I now make a more general appeal. I have already mentioned that no member today can claim to be expert in all the work of the profession. In large firms it is possible to have partners and staff who specialise in particular work so that the firm is able to undertake with confidence a considerable range of specialised services. It is in the nature of a large firm that this should be so. The same cannot apply to the small firm and the sole practitioner, but from time to time they are bound to encounter circumstances in which a client is clearly in need of specialist service or advice. This might be, for example, in relation to some taxation matter, or some company difficulty, or some aspect of management accounting or insolvency, or some executorship or death duty point. It really is important that no practising member should ever hesitate either to take for himself, or to recommend a client to take, specialist advice on a matter with which the member himself is not fully competent to deal.

May I also recommend attendance at summer courses and meetings of district societies as being excellent methods of benefiting from other members' views and experiences.

#### Technical Activities of the Institute

The Council itself is doing a great deal to assist members in carrying out their duties to the highest standards. During the past year it has issued an important statement on Retirement Benefits as No. 21 in the series of Recommendations on Accounting Principles, and also an important statement dealing with that troublesome and extensive field of certificates required by trade associations and other bodies. These statements are additions to the great wealth of information now available in the *Members' Handbook*.

I hope all members make full use of their handbooks. The domestic part has still to be issued except for the sections containing the Royal Charters and bye-laws and the statements dealing with professional conduct. The technical part is however extensive. A glance at the contents table shows the wide range of subjects covered, including management accounting and accounting by electronic methods as well as accounting principles, taxation, company law and numerous miscellaneous matters. All this material represents a distillation of experience and opinion gathered by the Council with the invaluable assistance of the Taxation and Research Committee. A truly enormous amount of time and effort is put into this work, with the sole purpose of assisting the individual member to keep abreast of current developments and professional standards.

A great deal has been achieved since the Council

entered the technical field by the establishment of the Taxation and Research Committee in 1942. The time has now arrived to review the whole question of the Institute's activities in this field, for which purpose a special committee was appointed at the end of last year. Meanwhile there is no lessening of the Council's activities and I would like to remind you that they are not confined to documents which find their way into the *Members' Handbook*. Much is done by way of representations to Government departments and elsewhere on current matters of public importance.

#### Council Representations

The Council does not seek to hit the newspaper headlines with its representations and for this reason there is perhaps some failure to realise how extensive they are. By comparison with other recent years the past year has not been exceptional and yet there is a formidable record of activity. May I remind you of the main items?

In the field of taxation the matters on which we have made representations to the Chancellor of the Exchequer or the Board of Inland Revenue include the Finance Bill, overseas trade corporations, penalty provisions, Schedule D assessment notices, allowances under Schedule E of members' subscriptions to district societies, and a really strange little anomaly under Section 23 of the Finance Act, 1956, which I am glad to see is to be dealt with in this year's Finance Bill. On overseas trade corporations we have asked for certain anomalies to be removed and for the scope of the legislation to be extended to embrace trading income from non-resident subsidiaries. It is disappointing that nothing is proposed on this in the current Finance Bill.

On penalty provisions, the proposals in the Finance Bill may usefully be considered in the light of the views expressed by the Council to the Board of Inland Revenue. We said that the review of penalty provisions should be with the object of (a) removing doubts as to the circumstances in which immunity from penalty proceedings is available; (b) giving immunity from criminal proceedings where a full disclosure is voluntarily made before any proceedings or inquiries have been commenced; (c) relating monetary penalties to the amount of the underpayment of tax; and (d) removing any provisions under which any person is deemed guilty unless he proves himself innocent.

Those of you who have read the Building Societies Bill will have noted the large extent to which it incorporates in principle the proposals regarding accounts and audit which the Council made in its two memoranda to the Treasury. These are sweeping changes of a fundamental nature which will lift the legislation on this important subject right out of its nineteenth-century fog. The details of the Bill require some improvement and we have made representations for that purpose.

Two past presidents have appeared before the Select Committee on Nationalised Industries and reaffirmed the views expressed by the Council in a memorandum submitted in 1952, indicating important ways in which the Council considers that professional accountants

could assist those responsible for the control of nationalised industries.

We have submitted comments to the Chancellor of the Exchequer on the White Paper proposals concerning trustee investments and last month we made representations to the Lord Chancellor on certain aspects of the Charities Bill.

At this moment we are examining the current Finance Bill and we are also in the closing stages of the preparation of a memorandum for the Jenkins Committee on Company Law.

The fact that all these matters have had the attention of the Council is a forceful reminder of the wide field in which the Institute is interested because of the extensive nature of the work undertaken by members.

#### Overseas Matters

In addition to the many responsibilities undertaken by members in the United Kingdom, the Council also has to consider many overseas matters. Some 4,000 of our members are resident overseas and a good number of them are associated in partnership with members in the United Kingdom. The Overseas Relations Committee of the Council devotes a great deal of time to developments affecting the exercise of the profession in overseas countries and most of this work is unsuitable for reporting in detail in the annual report. We consistently maintain our often-repeated view that the international nature of the accountancy profession is such as to require a liberal attitude towards world freedom of practice rights, if the profession is to be able to continue serving adequately the business interests which depend upon it. We believe that all forms of artificial barriers are detrimental to the future development of the profession and to the interests of the countries imposing them. Let no one suppose that this is a problem which concerns only a handful of large international firms. In one way or another the whole membership is affected and the subject is vital to the future well-being of the profession.

It has always been the policy of the Council to be as helpful as possible to overseas countries by giving advice and information based on our long experience in this country. As part of this policy a special step has now been taken by the Chartered Accountants Joint Standing Committee which consists of representatives of our Institute, the Scottish Institute and the Irish Institute. The joint committee has set up an Overseas Accountancy Examinations Advisory Board whose functions are to advise and assist overseas bodies in establishing and conducting their own accountancy examinations, with such standards as those bodies may choose. These examinations will have no connection with those of any of the three chartered institutes and the examination papers of the institutes will not be used. It is hoped that this new step will prove to be of really significant help in those parts of the world where great difficulty would otherwise be encountered because there are not enough qualified accountants who are able to devote the time required to examination work and who also have the experience required to do so.

#### Relationship with other Accountancy Bodies

The Board I have just mentioned is an example of the way in which our Institute, the Scottish Institute and the Irish Institute co-operate, either through the Chartered Accountants Joint Standing Committee or otherwise, on both home and overseas matters in which the three institutes have a common interest.

On Parliamentary matters affecting the qualification and status of auditors the three chartered institutes act jointly with the Association of Certified and Corporate Accountants, through the Accountants Joint Parliamentary Committee. This committee has a number of common problems to consider under these headings and provides a useful field for co-operation by all the bodies concerned. Its existence and usefulness are in no way affected by the decision, referred to in the annual report, that no steps should be taken towards a scheme of integration of the Association with the chartered institutes.

#### Office Accommodation

Before ending my remarks I must refer to the question of office accommodation. Our long-term problem of accommodation remains under active consideration but for the time being the working conditions of the Institute's staff have been greatly improved by the taking of a suite of offices at 55 Moorgate to which most of the staff were transferred last December. The Library and the Members' Room remain at Moorgate Place, where the Appointments Officer and the staff of ACCOUNTANCY have their offices. The benefits of this easing of the position have only recently begun to be felt. For most of the year under review the considerable burden of activity was borne by the staff under most unsatisfactory conditions.

#### Appreciation of Secretary and Staff

During my year as President I have learnt to appreciate the hard and devoted work of the staff of the Institute. Since the move to 55 Moorgate, the staff have been able to work in reasonably comfortable conditions, but much remains to be done. One of the happiest memories of my term as President will be the support and friendship which I have received from Mr. MacIver and the splendid team which he leads. During the first part of my presidential year, when Mr. MacIver was attending a conference in America, I was accompanied to district society annual dinners by Mr. Loveday, Mr. Evan-Jones, or Mr. Allen and I should like to offer them my thanks for their companionship and help.

May I also offer my most sincere thanks to the Deputy Secretary, Mr. Wilkinson, for his erudite and forthright help in all the many matters which required the searching light of his brilliant intellect.

In conclusion, a personal word of thanks to Mr. MacIver, whose friendship and wise advice I shall always remember and value.

I now propose and ask the Vice-President to second the adoption of the report of the Council and the accounts for the year ended December 31, 1959.

A qualification on an auditor's report may mean little or it may mean much. An indication by way of a qualified report that some action ought to be taken does not necessarily lead to any action. Should machinery be created to make it more likely that something will be done? What machinery? And is it reasonable for a heavier burden to be cast on the auditor in consequence?

## Auditors' Qualified Reports

IT IS A commonplace to say that the influence wielded by an auditor over the financial affairs of a company stems mainly from the need of his being satisfied with the final accounts. If he is not satisfied, he will qualify his report. In doing so he safeguards his own position, and he warns shareholders to be on their guard.

However, one auditor's dissatisfaction is not necessarily another's. There is inevitably and rightly a large element of personal judgment in deciding what constitutes a "true and fair view" in accounts. The law has spirit as well as letter and, though the auditor must keep to the letter without the smallest deviation, he will (certainly if he is more than pedestrian) observe the spirit as well.

### Passive Qualifications

Again, for the same auditor, there is a very wide range in the dissatisfaction he may feel and express. At the one extreme, the auditor may qualify his report simply because information has not been forthcoming for an entirely legitimate reason. The accounts of some of the largest and most respected companies in the country are qualified in this way. The auditors of the accounts of *Thomas Tilling*, for instance, qualify their certificate thus:

We have examined the annexed consolidated accounts of the company and its subsidiaries with the audited accounts of those companies; the accounts of all but one of the subsidiaries have not been audited by us. Subject to this and on the basis that the information relating to Cornhill Insurance Company Ltd. is modified as allowed by the Eighth Schedule to the Companies Act, 1958, in our opinion the consolidated balance sheet and consolidated profit and loss account comply with the Companies Act, 1948, and respectively give a true and fair view. . . .

*Thomas Tilling* is an industrial holding company which on policy leaves its businesses to manage their own affairs so far as is practicable—including, clearly, the choice of auditors. Put crudely, the motive for the qualification in the report is one of self-preservation, since the auditors must safeguard themselves against the

possibility that something may be wrong in the accounts of a business in the group that they have not themselves audited. But the auditors are really doing no more than follow along the line of Counsel's advice on the implications of paragraph 4 of the Ninth Schedule of the Companies Act, 1948, as given to the Institute of Chartered Accountants in England and Wales (see paragraph 125 of Section O of the *Members' Handbook*, on Company Law). In the 1958 accounts of *Phillips Furnishing Stores* the auditors stated:

We have examined the annexed consolidated balance sheet and consolidated profit and loss account. The accounts of certain of the subsidiary companies have been audited by other firms.

Here is merely a plain statement of fact. An underlying qualification is implied, as with the *Thomas Tilling* accounts, but the auditors have not thought the matter important enough to warrant the emphasis given in those accounts. (Whether, at that time, they were in a position to know that they would in fact be auditing all the accounts in the following year one does not know, and the point is in any event not relevant.) The auditors' report on *English Electric* provides a further example of this type of "passive" qualification. The accounts of *English Electric* are qualified in two respects:

Certain of the audited accounts of the subsidiary companies, dealt with by the annexed consolidated balance sheet and profit and loss account, have not been audited by us. The accounts of some subsidiary companies are made up to different dates and cover different periods from those of the *English Electric Co. Ltd.* Subject to the foregoing . . .

### Active Qualifications

Let it be emphasised that there is no room for timidity. Instances could be cited in which the auditors have shied away from making an open qualification, though it was probably desirable, and have thrown the onus instead on the notes section of the accounts. Sometimes

a note to the accounts is all that is needed, to give a necessary explanation—but sometimes mere explanation is insufficient. Occasionally, only drastic treatment goes far enough; nevertheless much rarer than the passive qualification is what might be termed the "active" qualification—that dictated by the knowledge that something is not right and must be brought to the notice of shareholders. Even so, there still remains a wide range of degrees of gravity in active qualifications. Because an auditor qualifies his statement in this way he does not necessarily impute fraudulent motives. Take the 1958 accounts of *Truscon (Trussed Concrete Steel Co.)*. The auditors qualify their report:

We have examined the annexed consolidated balance sheet and consolidated profit and loss account. The book value of the trade investment is in our view in excess of its present value.

The trade investment in question stands in the books at £253,283 which is a sizeable slice of the total net assets of £968,575. The qualification, therefore, is manifestly of considerable importance to the shareholders, who should seek elucidation from the directors. But all the auditors are saying, in effect, seems to be: "Look, we have gone through the books and found everything in order. However, we honestly think that the directors are being optimistic in their valuation of the trade investment. We suggest that you tackle the directors for more information." They are not suggesting that the directors would necessarily be unable to justify the valuation. In fact the point was taken up in the Press and the chairman of the company gave a gratifying survey of the general position of the company: the survey did not, however, include a valuation of the investment in question but no request for further information was advanced by the shareholders. By far the majority of the rather limited number of active qualifications one comes across are couched in terms of this kind.

Sometimes an auditor's qualification merely affords confirmation of something that is self-evident from the accounts themselves. Take the 1958 accounts of *Canadian and English Stores*. A trading loss of £1,086,718 left no doubt that the business was in a bad way, and a loan of £2,526,777 made to a subsidiary company was qualified by a note stating that "a substantial proportion of the loan to subsidiary company £2,526,777 is unlikely to be recovered." This sentiment was echoed in the auditors' report:

We are unable to form an opinion as to the value of the loan to a subsidiary company, £2,526,777, referred to in the notes on the accounts. Subject to this . . .

It is not known whether the note to the accounts was prompted by the auditors' decision to qualify their report, but it would be in keeping with the spirit of effective auditing to insist on an action of this kind. Eventually a wholesale reorganisation of Canadian and English Stores became necessary, and a shareholders' committee was formed to investigate the affairs of the business. How far the auditors' action contributed to these events must remain a moot point, bearing in mind

that the trading of the business itself was already giving grounds for the gravest disquiet.

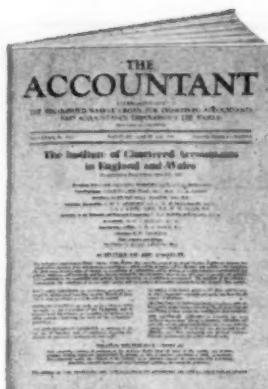
There are other instances in which the trading position is not so blatantly unsatisfactory, however, and only the auditors' qualifications give grounds for disquiet. The most celebrated instance in recent times is probably *Camp Bird*. The company seemed to have been trading well enough, with reported profits increasing steadily. However, the auditors' report contained a series of qualifications—about the value of mine development expenditure and the net premium on acquisition of subsidiaries' shares; about the ability of associated companies to repay indebtedness to the parent; and about payments totalling £32,000 said to have been made by the company agent in Ghana. Moreover, it was emphasised that the accounts must be read in conjunction with the notes, which contained further reservations. These qualifications had appeared before, and they were being taken seriously—not only by shareholders. Because of criticism arising out of these qualifications the directors have been stung into issuing a circular justifying items qualified by the auditors. This is a unique case because the qualifications to be found in the parent's account extend to those of other companies associated with *Camp Bird*—*Hartley Baird* and *H. J. Baldwin*, whose accounts are audited by two other firms of auditors.

A recent instance in which the auditors were unable to report that the balance sheet and profit and loss account gave a true and fair view of the affairs of the company and of the loss shown was that of *Eglinton Hotels (Scotland)*. The reasons for the qualifications were the failure to satisfy the auditors that all invoices rendered to the company and all payments made by it had been for goods supplied or services rendered to it, or that furniture, furnishings and equipment on hand at the end of the accounting year or purchased during the year had been properly accounted for, and the absence of an assurance that a debt of £3,641 would be fully recoverable. The qualification applied to the accounts for the year to October 31, 1958, published early in September last with the directors' report, from some items of which certain members of the Board dissented. Since then a shareholders' committee has been set up and, at the request of the company, Board of Trade inspectors have been appointed. The inspectors have not yet reported and the shareholders' committee is still in being, so that the actual position and the final outcome remain in doubt.

A qualification really serious both in extent and results was that of the auditors in notes attached to the accounts of *Hide & Company* for the year to January 31, 1958. The most important objection was:

The shares of Stuart Norris Ltd. were acquired during the year by the issue of 300,000 Ordinary Stock Units of *Hide & Co. Ltd.*; 250,000 of these Units were subsequently renounced in favour of Restaurant Investments Ltd. (a company of which Mr. L. P. Jackson was or had been the principal shareholder and Mr. S. N. Jackson a director) for a consideration which the Board of *Hide & Co. Ltd.* have been unable to ascertain.

By the date of the directors' report Mr. L. P. Jackson,



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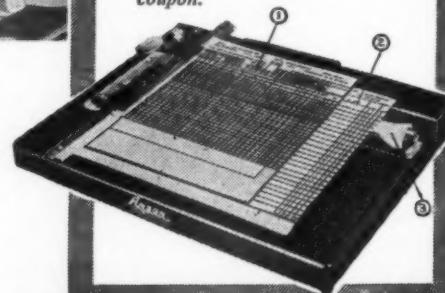
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the previous chairman, had resigned all connection with the group and one result of his subsequent course through the courts was to bring to the attention of the public how much was owed to the keeness of the auditors. Board of Trade inspectors were appointed to conduct an inquiry and their report brought out the limitations on what the auditors could do under the law as it now stands, concluding with the significant words:

Consideration of any extension of an auditor's rights and duties is obviously outside the scope of this report.

#### What Action to Take?

It will be seen from the preceding account, which covers many of the instances noted in two years, that a qualified report is a comparatively rare occurrence, at least among public companies; further, most qualifications are passive ones or made necessary by a technical point. Unfortunately, in the rare cases in which the qualification goes further and calls for action, none is possible unless it is taken by a sufficiently large number of shareholders to satisfy the requirements of the Companies Act. If the shareholders take no action that is the end of the matter for the time being. Neither the auditor nor anyone else can draw attention to what may well constitute a fraud on the part of the directors or of some of them.

If an auditor were in a position to prove that a fraud had been committed, it would be his duty to report the matter to the proper authorities. But to be convinced that the fraud had taken place, without having the supporting evidence, would not be sufficient ground for acting in that way. The duties of the auditor and the form of his report are laid down in the Companies Act and he cannot of right go outside his prescribed duties. One weakness of the present position is that the auditor has no right beyond that of seeing all documents bearing directly on the accounts. Further, it is the duty of the auditor to report on the accounts as they are presented. He has no duty and no power to disclose any facts which he may think call for notice unless he can do so by a qualification of the accounts as presented. Leaving this point on one side for the moment, what, if anything, can be done to increase the protection of shareholders and creditors of a company whose directors are guilty of fraud or other action demanding investigation?

A number of suggestions have been advanced. There are those who believe that when an auditor finds it necessary to give a qualified report and the qualification is not, in his view, sufficiently explained by the directors, he should have the right and duty to approach the police, the Board of Trade or some other official body, reporting his views and inviting the recipient of them to take action. Those who support this view might argue that theirs is the straightforward solution to the problem and that since an investigation by some authority would usually be either necessary or salutary, there is everything to be gained by putting this burden on the shoulders of the auditor, especially since there are no other shoulders that can be made to bear it. As against this view, others would object that, while the auditor is in law a servant of the shareholders and bound to protect

their interests within the terms of the duties imposed on him, he is at the same time an adviser of the directors, with the same object of protecting the shareholders, and that anything which tended to disturb the good relations between him and the Board would be deplorable. They might further argue that auditors are only human and that some might take too easy and others too rigid a view on a certain situation—if the auditor were to be bound to take action, as requested, on a qualified report, the obligation might prejudice his opinion on whether a qualification were necessary or even advisable.

Having in mind the counter-arguments just set out, another school of thought favours a rather different solution. The certainty of some action resulting from a qualification of a report not fully explained by the directors could not fail to result in some change in the position of auditor *vis-à-vis* Board but, it is argued, let the effect on their relationship be reduced to a minimum, leaving the duty and the powers of the auditor as they are in this respect. Those who think thus believe that a better alternative to direct action by the auditor would be to create a new official, a kind of public trustee for equity-holders and creditors, whose duty it would be to inspect all company accounts and to take any action which seemed appropriate whenever the auditors' report was qualified. To speed up his action the further duty might be imposed upon some officer of a company whose accounts had a qualified report, presumably the secretary, to report the matter at once to the examining body.

The action which this body took might be anything from asking for further elucidation of the position from the directors—it is possible to imagine circumstances in which disclosure of the reasons for qualification might be harmful to the company without there being anything reprehensible—to ordering an inquiry on Board of Trade lines or of an even more far-reaching kind. The responsibility for the type of action taken would be squarely on the shoulders of the new authority and the danger of friction between auditor and Board would be lessened.

#### Other Possible Reforms

No doubt there are other possible solutions. The essential point is whether the unaided efforts of shareholders, prompted by the appearance of a qualified report from the auditors, can be left as the only recourse. The outcome on the issue may be influenced by another which is perhaps of even greater importance. An accountant acting as auditor, or in some other relationship to a company or its Board, is in repeated contact with its affairs throughout the year. What should be the duties and powers of, say, an auditor who, in the course of his duties discovers something which would cause him to qualify his report if he were called upon to produce one as at that time, but which has been rectified by the time he accomplishes his audit? In the Jackson case it transpired that an improper course of action was put right before the audit was completed. In that case, however, a repetition of the offence, or of a similar one, made qualification of the report essential.

Clearly the question is a difficult one, but it is surely

evident that if a serious offence is discovered, or is believed to have been discovered, it ought not to be necessary to have to wait, possibly almost as long as a year, before drawing attention to it by a qualified report. Usually the auditor might be able to see to it that ill effects on the company did not occur, by pointing out the risks attendant on the course of action arousing his suspicions, but the Jackson case shows that if he did no more the remedy would not always be effective. Again, granting that he has no more than a suspicion, however well founded, an auditor might be deterred from acting at all. While one may reasonably take it that any new powers conferred on the auditor would be exercised with discretion, many accountants would probably hold the view that his responsibilities are already sufficiently onerous and that nothing more should be asked of him beyond qualification of his report, if qualification is necessary. In support of this view it can be said that the

cases in which an auditor has to deal with a felony or even a misdemeanour are very rare, that each individual director has his responsibilities (giving safeguards against wrong action by any other director) and that in any event it is the business of shareholders to take a reasonable interest in their own property and to see to it that a qualified report produces the requisite action.

Against those who are satisfied with the existing state of things it can be argued that, in the interests of the good name of private enterprise, and indeed in the interests of the growing body of small shareholders who are unfamiliar with many of the matters involved, no opportunity should be missed of ensuring that illdoing is prevented and the illdoer promptly brought to book. An opportunity to work towards this end appears to some to present itself in an increase in the powers and responsibilities of the auditor on some such lines as those here explored.

In ACCOUNTANCY for January, 1960 (pages 10-14) we published an article by Mr. A. G. Coulbeck, A.C.A., on the development of accounting in the United Kingdom Atomic Energy Authority. The present article, giving a picture of the costing work in a representative Group of the Authority, is complementary to the earlier article.

## Accounting for the Atom—II

### —The Development of Costing in the Industrial Group of the U.K.A.E.A.

by Denis R. Newman, F.C.A.

Director (Finance), Development & Engineering Group, U.K.A.E.A., Formerly of Industrial Group

#### History

ON AUGUST 1, 1954, the responsibility for atomic energy in the United Kingdom was vested in the then newly constituted Authority set up under the Atomic Energy Authority Act of 1954. Previously the responsibility had rested with the Ministry of Supply; in 1945 the Ministry set up the Atomic Energy Research Establishment at Harwell in Berkshire, which has earned an international reputation as a centre of scientific knowledge and achievement in atomic energy. The Production Division was established in 1946 at Risley, near Warrington, Lancashire, to design, construct and operate factories for the production of nuclear materials.

By vesting date, what was the Risley Production Division had become the Industrial Group headquarters controlling the Springfields Works, near Preston, Lancashire; Windscale Works, Cumberland; Capenhurst Works near

Chester, all with associated research and development laboratories on site; and the Metallurgical Laboratories at Culcheth, near Risley. At the Group headquarters, design offices had been set up, engaged at vesting date upon the design and construction of Calder Hall on a site adjacent to Windscale and the Dounreay Experimental Reactor Establishment in Caithness, and later of the Chapelcross nuclear station in Dumfriesshire, now nearing completion and supplying substantial quantities of electricity to the national grid.

The announcement of the nuclear power programme in 1955 considerably widened the scope of the activities of the Industrial Group. Extensive training schemes for industry and the electricity authorities as well as consultative services had to be provided, and the production plants and supporting research and development facilities had to be extended in order to supply and process fuel

for reactors designed and built by British industry, both for home and oversea customers. In addition, the Industrial Group was to pioneer more advanced types of reactor so that industry could be kept up to date with the advances in nuclear science and the electricity authorities could reap the benefits of the latest developments.

The large expansion which resulted from this extension of commitments made the Industrial Group too large for convenient management and in July, 1959, it was divided into two: a Development & Engineering Group and a Production Group.

The Development & Engineering Group is responsible for the development, design and construction of reactors and the associated plants, with continued assistance in basic technology from the Research Group, and will in addition provide an engineering consultative service for the electricity authorities, industrial consortia and oversea organisations with which the authority have agreements. It also undertakes the engineering design and construction of all major building and plant installation projects for the whole of the Authority.

The headquarters of both the new Groups remain at Risley. The Development & Engineering Group controls the research and development laboratories at the former Industrial Group establishments as well as the Experimental Reactor Establishment at Dounreay. The Production Group controls all the production activities at the five works—Springfields, Windscale, Calder Hall, Capenhurst and Chapelcross.

#### Production Plants

The Springfields Works extracts uranium from ore, refines it to metal by chemical and metallurgical processes and manufactures fuel elements for the reactors of the Authority and for the nuclear power stations now being built by the Central Electricity Generating Board and the South of Scotland Electricity Board, and for the power reactors of British design under construction in Italy and Japan. It also produces the feed material for Capenhurst.

The Calder Hall and Chapelcross reactors fulfil dual roles. The irradiation of fuel in them creates plutonium and the heat generated in the process is used for the production of electricity, which is fed into the national grid. At Windscale are the chemical plants which treat the irradiated fuel and extract from it plutonium as well as recovering the uranium not used up in the reactors.

At Capenhurst uranium deficient in the fissile isotope  $U^{235}$  through conversion into plutonium in the reactors is reconcentrated, so that the uranium can be re-used in fuel cycles for reactors. By further refinement the fissile isotope  $U^{235}$  can be concentrated for the enrichment of fuels for the more highly rated reactors, or for defence requirements.

#### Research and Development

The reactors now under construction by the electricity authorities are improved versions of the Calder Hall type—that is, graphite moderated and gas cooled using natural uranium fuel. The reactors at Calder Hall and Chapel-

cross are developments of the earlier production reactors at Windscale, which have now been closed down, and they were themselves the large-scale production versions of experimental reactors built at Harwell in the early days. There is now under construction at Windscale the advanced gas-cooled reactor as the forerunner of what is expected to be the next generation of power reactors.

The experimental fast reactor, which has now been commissioned at Dounreay, is a highly-rated reactor entirely different in concept from the reactors of the Calder Hall type. Other types will no doubt follow and will in their turn be used to explore and develop new and improved systems for future industrial applications, resulting in power units of progressively better performances and lower costs. In order to meet the expanding requirements of the Nuclear Power Programme, an entirely new uranium extraction and fuel element manufacturing plant has been constructed at Springfields incorporating many new and improved processes and production techniques and to match this a new chemical processing plant is in course of construction at Windscale for dealing with the irradiated fuel elements in due time.

The research and development laboratories continue to play a big part in the study and development of new reactor systems, fuel cycles, materials and extractive and manufacturing processes, and undertake much applied research and development work in aid of our future plants, as well as in exploring and devising improvements to existing plants and processes.

#### Problems

We therefore have management accounting problems in three main fields of activity—design and construction; research and development; and production. There is much technical novelty in all these fields, offering a challenge to the accountant, but the ultimate test is economic production of nuclear materials and power.

The atomic energy industry is a new one employing new techniques, many of which have never previously been tried out in practice, and dealing with new materials about which little was known at the outset. In consequence there is much experimentation and applied research and development on plant installations and in process operations.

Apart from technical developments, many of the materials used are very scarce and expensive, so that there has been much advantage to be gained by improving utilisation and yield factors and a constant drive to find cheaper alternatives and better ways of using them.

The need to protect the health and safety of employees, to prevent the discharge of toxic and radio-active effluents from the plants, to limit and contain contaminated waste and conserve scarce and expensive materials, results in many more recovery, recycling and treatment processes than could be justified on purely economic grounds. These processes complicate the operational cycles and pose problems in costing by-products and intermediates. Investment in plant installations—by reason of their novelty, complication, exacting standards of cleanliness and accuracy in operation and of health

and safety requirements—is high, so that plant availability and utilisation are crucial factors in economic production. A very high standard of maintenance is thus exacted and for it there have to be extensive facilities adjacent to the processing plants.

The Springfields/Calder Hall/Windscale/Capenhurst complex constitutes a long and complicated series of interrelated and interdependent processes. The proportion of the fissile isotope of uranium  $U^{235}$  is very small (0.7 per cent.) in natural uranium and only a small part of the  $U^{235}$  is used in creating plutonium, so that a considerable quantity of uranium is at any one time in circulation throughout these processes.

The protracted process cycle and high cost of raw materials entail a big lock-up of capital in work-in-progress: strict control is essential. For this reason and because of health and safety factors there are problems in accurate plant instrumentation and exact product measurement, as regards both the chemical and the isotopic concentrations of the product streams.

Nevertheless, most of the accounting problems created by the various complications outlined have been solved or have proved to be amenable to solution by the application of sound costing principles.

#### Cost Code

Our first factory was Springfields. We started with a simple numerical cost code, indexing elements of cost subjectively and identifying allocations of cost objectively to cost centres which signified processes and supporting activities as managerial units. As the scale of operations increased and other factories were commissioned we developed and refined our cost code but it has proved to be sufficiently flexible and remains basically unchanged.

The cost centres are arranged in four functional groups:

##### *Process centres comprising all the*

Main and recovery processes, and associated process services (analytical services, effluent treatment and in some cases direct material producer plants);

##### *Service centres covering*

Maintenance departments;  
Engineering workshops;

##### *Supply centres for*

Electricity, steam, water, and gas;

##### *General centres identifying*

Administration and plant offices, store houses, canteens, police and security, health and safety services, and so on.

The costs of service centres are reallocated by charges to other centres for work done for them, in accordance with planned maintenance schedules and on specific requisitions. These charges are based on direct materials used at cost *plus* labour at hourly tariff rates predetermined to recoup the total cost of each centre from its "customer" centres.

The costs of supply centres are reallocated by charges to other centres for utility supplies consumed by them. These charges are based on inclusive unit tariff rates

predetermined to recoup from "customer" centres the total cost incurred by each supply centre in obtaining or generating supplies and distributing them to users.

The combined cost of general centres constitutes works overheads which are re-allocated on predetermined bases to all other centres and are thus incorporated as an element in the total cost of each process, service and supply centre activity.

#### Costing and Budgetary Control

Some may question all the "cross charging" inherent in these arrangements but our philosophy was and still is that anyone who wants something done and/or has something done for him should pay for it. We believe this practice leads to keener cost appreciation at all levels of management and is well worth the accounting effort entailed in demonstrating the economic effects of inter-related factory operations.

Believing that accountancy works in the most nearly universal medium available for the expression of facts but that it works properly only if it results in the accurate representation of physical happenings, we studied flow sheets and plant layouts in detail and frequently went to see the plants being constructed and commissioned. I cannot emphasise too strongly how important it is for the accountant in industry to find out and understand as much as he possibly can about these things and to continue to show a keen interest in production techniques and developments.

Having agreed with our technical colleagues the essential points of measurement through the processes, we laid out our syllabus of cost accounts on the basis of the flow sheets and plant layouts, and we still depict all our costing layouts in the same flow sheet form as those used on the plants for process control.

From this point we worked out a simple system of budgetary control based on the subjective and objective analyses of expenditure referred to previously. We then proceeded by historical costing methods to collect our expenditure by cost indices against cost centres. We were not content, however, merely to compare current costs with what they were last week or in the previous month or the previous year. Although such a comparison could be very interesting we thought it more important to compare the current cost of operations with what they had been planned to cost.

#### Target Costs

It must be realised that in the early days there were many uncertainties in our forward planning but nevertheless we had to start somewhere so we developed a "target costs" system to establish by agreement with management targets of expenditure and achievement reasonably capable of attainment for the operations under their control, again using the subjective and objective analyses by cost index and centre. We began to show current operating expenditure against targets and variances from the targets and later to classify and analyse the variances, somewhat crudely perhaps, but thereby introducing standard costing terminology. Naturally we often found

these comparisons vitiated by unforeseen circumstances and developments. But gradually we improved our techniques and were able to demonstrate to management the advantages of cost control by exception, by the study of variances, their causes and effects.

To relate these "targets" and variances with production in order to determine product costs was a rather more complex problem. Having established theoretical flow sheets, cost account syllabuses derived from the flow sheets and realistic measurement points for each process, we applied process costing methods and evaluated production on a cumulative weighted average basis. There soon developed an increasing need for information about the economic effects of changes in our processing techniques and plant utilisations—more information than our somewhat simple and crude costing conventions could provide.

#### Economics

In the early days there was much uncertainty about the availability of uranium feed material and its cost: here was a very important factor in our forward planning, and one that had a large bearing on what course we proposed to follow in our future developments. It is also a fact that the most significant variances in the cost of our processes arise from plant utilisation, process efficiency and volume of throughput.

In order to simplify our economic exercises we segregated the uranium feed materials in our cost accounts and accounted for it through all our processes separately from the processing costs. Since uranium is normally acquired on long-term forward contracts it was only logical that we should soon establish annual standard costs of uranium feed materials to enable us to evaluate efficiency variances of uranium utilisation through our various processes. This information presented in significant form to management supplemented their quantitative information in such a way as to bring home very forcibly how much money is at stake in maximum uranium utilisation.

#### Recycling and Recovery Processes

I referred earlier to the problems of costing materials that have been recycled and recovered. After treatment these materials are normally fed back to an earlier stage in the process, together with new feed material of equivalent constitution. We argue that this recycled or recovered material is of no more value to the process receiving it than that which is received through the main product stream, so that the credit to the later process at which the residue or recycled material is extracted is normally the value to the earlier process to which it is reintroduced less the cost of treatment in the recycling or recovery plant. Although the main product streams, subject to recycling and recovery processes, mostly go through to final product, the nature of the material is such and the uses for it so varied that products emerge at many stages in the process cycle. We therefore need considerable precision in our process costing at all stages of manufacture.

#### Process Costing Applied to Reactor Operations

What I have outlined is, basically, a conventional process costing system which has proved to be adequate for our chemical and metallurgical processes. When we came to account for large-scale reactor operations which result in transmutations of elements of which even alchemists never dreamed, we were faced with the fact that product formation could be estimated only inferentially. Fuel elements normally remain in a reactor for lengthy periods of time but their endurance may vary considerably. Removals and replacements of portions of the charge of fuel elements are not dictated by the calendar but by the characteristics of the reactor and nuclear behaviour of the fuel elements. After discharge, the irradiated fuel elements require a long "cooling" period before they can be processed in order to extract the fissile material and recover the unused uranium.

Product formation within a reactor is, however, related with fuel element residence time, reactor characteristics and nuclear behaviour, and a composite unit of product measurement was devised sufficiently accurate for costing purposes so that accounting "flow sheets" for reactor operations could be formulated. We were thus able to bring reactor operations within the scope of our process costing system.

#### Cost Presentation

Later we developed the technique of pre-costing our flow sheets on the basis of target efficiencies and operating expenditures; the information was subsequently consolidated in a document for top management called the "technical budget" which is presented to the Board of Management on an annual basis concurrently with the financial budget. Both of these documents are reviewed and revised quarterly and represented to the Board of Management for approval. The technical budget is in condensed flow sheet form showing throughout quantities and operating expenditure for each process and unit product costs.

We have tried to tailor our forms of cost presentation to the particular needs of management at the various levels, restricting the information provided to those elements of performance and cost which the particular manager can control. We have also paid attention to the time factor in cost presentation, with the result that we have simple statements on a weekly basis, fuller statements on a four-weekly period basis, and detailed budgetary comparisons, product cost determinations and work-in-progress control statements quarterly. For top management we portray the more important trends and variances graphically.

#### Standard Costing

The next logical stage of development is standard costing. We are part way there in that we use many of the techniques, but we may be unable to realise that degree of cost control and all the savings in time and effort which the full application of standard costing techniques should yield until we have achieved greater stability in future production programmes.

## **Accountant at Large**

### **Recruiting Season**

WE ARE TOLD that some 600,000 young people will be leaving school this summer to come flooding into the labour market. In 1961 there will be 80,000 more than that; the bulge is coming out of school. But 1961 can wait a while; for the time being any number of staff and personnel managers are correcting the proofs of the advertisements that will, they hope, snatch a little of the cream in their particular sectors of the field from their competitors, who are so unscrupulous in their advertising, or whose salaries are marginally but so attractively better than what one is offering oneself. To judge from the advertisements, proliferating in a way to make the classified ads. departments very happy, jungle warfare is no more bitter than the fight for the best of the school leavers.

Nor, indeed, is there anything like a close season; recruiting goes on nowadays twelve months out of twelve. The peak must obviously be July to September, when the bulk of the new intake arrives (with the preparations in hand about now), but in all the other months boys and girls, and men and women, are changing jobs, looking for more scope, getting the sack (although not often) in a way that, compared with the peace of pre-war employment—kept top-steady by the monstrous bottom-weight of unemployment—makes our present day labour market appear positively kaleidoscopic. Fishing in these troubled waters must go on; and advertisements do in fact go on, week in and week out. Addressed to school leavers, with minor seasonal upsurges at Christmas and Easter, addressed to youngsters on the move, addressed to more senior men and women; addressed sometimes to very top-qualified people. How to get enough people to keep the wheels turning is a problem exercising probably more people today than ever before in history.

Accountants know only too well

the problems of accountants in this regard; it is of interest, if of little consolation, to look at the varying degrees of difficulty experienced in other callings. In some, it would seem, there is no difficulty at all (except, indeed, that of getting the right quality, which is something we need not treat too tragically, for which of us in our younger days did not hear our seniors deplore the terrible decline in young people since they themselves were young?) Architecture, we are given to understand, is an overcrowded profession; advertising in all its forms has a glamour which attracts youth in substantial numbers; the Bar surely cannot be starved of young recruits, even though their number is relatively small, when we still hear of barristers deserting it in numbers because they have no work to do and, nowadays, no private means to keep them while they wait for work to come. There are pockets of plenty amid the wilderness of want.

It would be useful if a pattern could be discerned in all this variety, a pattern that might throw into relief a factor or two drawing or repelling young people. But it is hard to delineate any factors of this kind. It is clear enough that cash on the barrel head, although necessarily important, is far from being the general deciding consideration, and those who suggest that it is are arguing against all the potency of vocation, which still brings recruits to the financially least rewarding callings. Science men, they tell us, are in such demand that the financial inducements offered them are substantial; but the evidence of the advertisements is not clear on this point, while the obvious efforts of the big employers of scientists to catch large numbers of school leavers suggest that they too have their difficulties in a sellers' market, even despite the strong vocational pull of science on a great many young

people in the space age.

What indeed are parents looking for when they help their children choose a career? If they are wise, it will first of all be work in which the child is likely to be happy; only second, work in which he may get to the top, although often enough the two will be the same; only third, work in which he may get rich. Some will have chosen after deep thought, others will have given up and settled for something convenient at hand. None can be certain for years, if ever, whether the choice was the right one. But certainly those accountant-parents who have tried to look all round the market will be acutely conscious of the absence of hard statistics.

It is extraordinarily difficult, as everyone who has ever studied the subject must agree, to find out with any certainty what the pay in any non-governmental employment really is after the first much-advertised few years. It is naturally even harder to catalogue the ancillary benefits that supplement pay—free coal for miners; free travel for railwaymen; free meals for, apparently, an ever-growing number of employees; pensions, contributory and non-contributory; loans to buy houses; cars on the firm—the list is a long one. The Civil Service have themselves been studying comparative remunerations for some years in an effort to find out what Civil Service pay ought to be, but the results of their researches are unlikely to be published in the kind of detail that the rest of us would welcome. The Clerical Salaries Analysis published every second year by the Office Management Association (another one is due this summer) provides a great deal of information about the pay of clerks, but the field is limited—and again there is no information about ancillary benefits.

But another summer is not far off, and the recruiting sergeants are going into action, all of them convinced (we may hope) of the merits of their offers. The crop should be a good one this year: let us wish them all—not least the accountants—their fair share of it.

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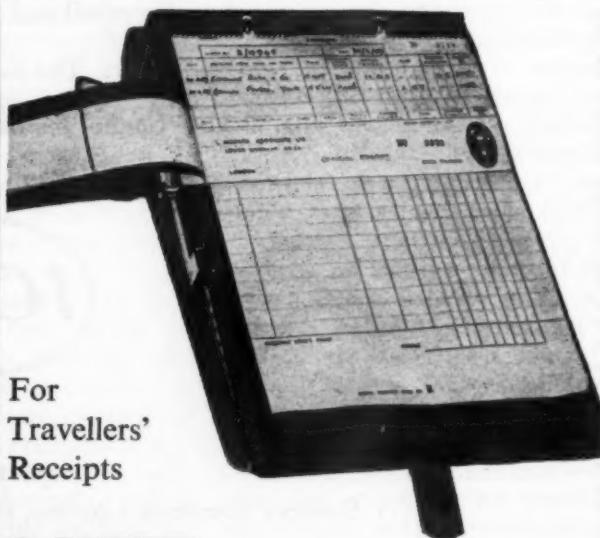
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"Cost to replacement" is devised as the measure that should decide when to replace a vehicle in a commercial fleet. Some fallacious alternative methods are briefly discussed. An explanation is given of statistical techniques of comparing operating costs from samples of vehicles.

## Choosing and Replacing Commercial Vehicles

By Anthony Merrett, B.Sc.(Econ.)

THIS ARTICLE ATTEMPTS (a) to set out the relevant cost considerations which should govern the operation of commercial vehicle fleets and (b) a treatment of the problem of the data and tests required to establish significant cost differences between alternative vehicles and times of replacement. The discussion is confined to choosing between vehicles of roughly identical usefulness for their type of work. However, by making an allowance in monetary terms for the varying efficiency of the different makes of vehicle, the technique can be adapted for choosing between vehicles of substantially different usefulness for a given task.

That problems of the kind here studied are important can be judged from the fact that, as estimated by the Society of Motor Manufacturers and Traders, there are in the United Kingdom approximately 5,500 owners of fleets of twenty-four or more vehicles.

### The economic problem

In practice most commercial vehicle operators have policy restrictions governing the choice of vehicles and the time of disposal. Very frequently, for example, the policy is to buy only new vehicles and to use them for a quite limited number of years. The technique to be described could be applied to calculate the optimum age at which to purchase vehicles. We shall, however, assume that, as a matter of policy, vehicles are always bought new.

Costs will be considered on a time basis, assuming a standard mileage for every year of operation.

The relevant costs for running a vehicle fleet when replacements are always bought new are:

- the purchase price;
- the eventual resale value;
- the running and maintenance costs and interest—that is, in total, the operating costs.

The effective depreciation cost is obviously (i) less (ii). The interest included in (iii) should be calculated with reference to the yearly average market value of the vehicle. Loss of working time, including the cost of using alternative vehicles because of breakdowns, should be assessed and added into operating costs. It is possible on a consideration of the three categories of costs together to decide the type of vehicle to be bought and the period of ownership that will minimise annual costs during the period.\*

Depreciation and operating costs of the vehicle for each possible year of replacement are added to arrive at total cost; each figure of total cost is then divided by the "life" of the vehicle if replaced at the relevant time, giving the average yearly cost of owning and

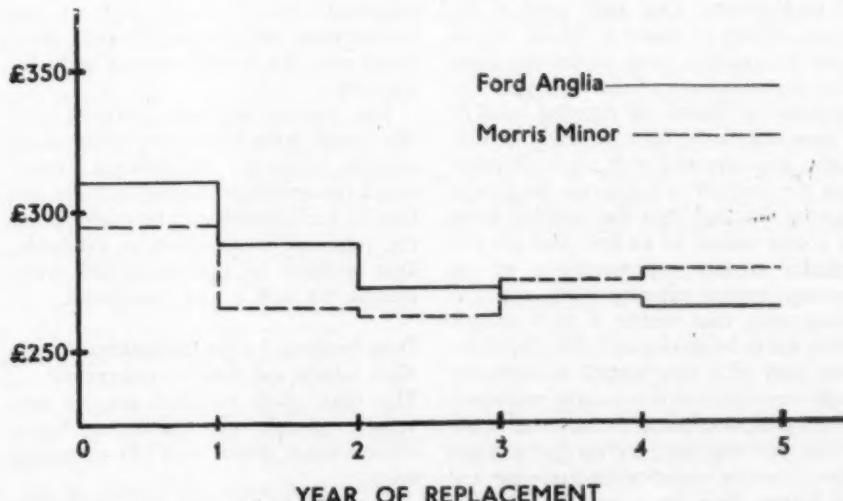
operating the vehicle for each period of years up to replacement. These figures of average yearly cost can be conveniently represented on a graph; they will be referred to as cost-to-replacement curves. Two such curves are given in the diagram. They represent data taken from the records of a concern operating a large fleet.†

### Average yearly cost

The cost-to-replacement curve thus shows the average annual cost of a vehicle (bought new) if disposed of after one, two, three or more years. Thus, if the Anglia is replaced at the end of the second year it would have cost £284 a year, on average, for the two years. The marked difference between purchase price and second-hand value in the first year will almost invariably make it uneconomic for firms to buy vehicles and

\* In the interests of simplicity the incidence of costs over time will be ignored. Because of the imprecise and variable nature of some of the costs involved, discounting cost payments is a refinement which cannot be justified in practice, though with a marked improvement in cost information this situation might possibly be altered.

† The data given below apply to the old model Anglia and it should be borne in mind that the figures for both models apply to a specific standard mileage, use and estimated depreciation at a particular time. For these reasons the figures should not be taken as of general and current application.



sell them after one year or less. The rate of decline in second-hand values becomes progressively less steep, however, while repair and operating costs rise over time until they eventually become so heavy that, even if depreciation becomes *nil*, the cost of operating the old vehicles is uneconomic compared with the alternative of operating newer ones.

One would expect the cost-to-replacement curve, therefore, to be U shaped, probably with some "bumps" as major components are replaced. Commercially operated vehicles, however, are rarely kept by large businesses beyond their seventh year and no records are available to confirm that the curves in the diagram would turn upwards if projected.

A whole series of cost-to-replacement curves could be drawn if data on all the models available were obtainable.

The optimum vehicle is that which has the lowest minimum point on its cost-to-replacement curve and it should be replaced at the time corresponding to this minimum point. The diagram shows that the cost-to-replacement curve of the Morris Minor has a lower minimum point than the Anglia. Since determination is made annually for each vehicle the minima are relatively horizontal stretches rather than points, indicating that replacement can be effected at any time along this horizontal stretch without incurring significantly higher costs. (Even so, it should be borne in mind that replacement early in time along the horizontal stretch means avoiding the risk of obsolescence due to the introduction of new models.)

#### Fallacious methods

At this point it is useful to consider some alternative methods advocated and widely used to determine the best time of replacement. One such method requires a firm to retain a vehicle in use until the running costs (operating costs plus depreciation) of the next year are expected to exceed the running costs of a new vehicle in its first year. At first sight, this approach may seem plausible but the method is fallacious because it ignores the fact that the running costs of a new vehicle in its first year are not usually closely representative of its average annual running costs, and it is these costs that matter if costs over a term are to be minimised. The depreciation cost of a new vehicle is normally high (especially as it is usually measured from purchase price as new to resale value after one year) and on that account total running costs for the first year will be higher than for a number of years

afterwards, until heavy repairs become frequent. If a concern waits until its present annual costs rise to the level of the first year costs of a new vehicle it will wait too long, and in consequence its average annual costs will be higher than they need be.

By another method a vehicle is kept until its annual total running costs begin to rise. This approach, also, has a certain plausibility. But because it does not take average long-term annual costs properly into account it is erroneous. Although total running costs next year may be higher than this year, they may still be lower than the average of annual running costs of the years to date. The reason is that the years of low cost drag the average cost down, and although bringing in the costs of next year will not reduce the average so much as they were reduced by the bringing in of the costs of this year, the average will still be reduced. For to reduce it, the costs of next year have merely to be less than the average, not less than the costs of this year. This fallacious method can, perhaps, be attributed to the normal presentation of cost curves representing annual running costs, a presentation in which the minimum point (or stretch of curve) appears to have significance. In fact, that point or stretch indicates only the time at which the decline in depreciation is just offset by the rise in operating costs, and has no bearing on the replacement decision. When the cost information is presented in the form of cost-to-replacement curves the minimum point or stretch does have significance, signifying that replacement is due.

Other methods, which scarcely deserve consideration, include replacing when a given number of years has expired; when a given number of miles has been covered, or when a vehicle is fully depreciated. As all three methods are mechanistic and rule-of-thumb, they could give the correct answer only by accident.

The method we have outlined and advocated, using the cost-to-replacement concept, indicates the principles upon which the optimum choice of vehicle and time of replacement can be made, when the requisite information is available. The problem of providing and interpreting the data is now considered.

#### Data required for the calculation of optimum vehicle and time of replacement

The basic data required are (1) new vehicle prices, (2) estimated future second-hand prices and (3) operating costs.

It might be thought that difficulties

would be presented by lack of any precise knowledge of future prices of new cars. However, this complication is not important, since what matters are the *differences* between the prices of the various models—the same constant error in all prices has the effect of shifting all the cost-to-replacement curves by the same amount, thus leaving the optimum vehicle and time of replacement as before.

Estimating future second-hand prices is much more difficult. Again, however, it is necessary to estimate correctly only the differences between the prices of models. Also, since there appears to be relatively little change, over the first three or four years, in relative prices of different models within the general price level of second-hand vehicles, the problem is reduced to one of estimating this general price level.

If the estimated future price level were in error by the same amount for all future years, the cost-to-replacement curves would shift by this constant amount throughout their length. The minimum points on the curve would then occur in the same year and indicate replacement at the same time. The error, therefore, would be of no importance. However, errors of different magnitudes for the estimates of the several years would move different stretches of the various curves by different amounts, so changing the shape of the curves and very possibly causing the minimum points or stretches to occur in the wrong year. The error could thus lead to unsound policies being pursued.

#### Variability of costs

Operating costs are the type of costs most difficult to establish accurately. Average operating costs represent about 55 per cent. of total costs of vehicles like the Ford Anglia and the Morris Minor. Yet the difficulties of ascertaining operating costs of the accuracy required are little appreciated by many fleet operators.

Operating costs recorded for each vehicle can differ considerably even for vehicles of the same make and age and working the same mileage. The differences arise primarily from variations in styles of driving, in the terrain to be covered, in standards of maintenance and in quality of vehicles, even vehicles of the same make and age. Because of this variability of costs an average based on a small sample of vehicles may be a very unreliable guide to the true average operating cost that will be incurred by running a large fleet of the vehicles.

The problem is that the basic vari-

ability of costs among vehicles of the same make must always raise the question whether differences between the different makes of vehicle are genuine, or arise in whole or in part from the basic variability in question.

Powerful statistical techniques, which fortunately are quite simple to apply, exist to cope with the problem. If we are comparing the operating costs of vehicles of two makes, two situations frequently arise: (1) where we have cost information for a large sample of one make and for a small sample of the other make, and (2) where only a small sample of operating costs is available for each of the two makes.

Before tackling these two problems let us first consider some typical data on operating costs which might be available to a commercial vehicle operator. Using this data, we can illustrate the use of some basic statistical methods.

Operating costs\* of seven *Ford Anglias*, and seven *Morris Minors*, on a standard mileage of 20,000 miles in their first year of life

	<i>Morris Minors</i>	<i>Ford Anglias</i>
	£	£
(i) ..	150	195
(ii) ..	170	210
(iii) ..	213	264
(iv) ..	200	175
(v) ..	200	165
(vi) ..	177	225
(vii) ..	180	215
<i>Total</i> ..	<u>1,290</u>	<u>1,449</u>
<i>Average</i> ..	<u>184</u>	<u>207</u>

\* Taken from actual records of a large concern.

The average cost difference on the vehicles is £23 in favour of the Morris Minors. We have to answer the question: "Is this cost difference really significant, or can it be attributed to varying costs of vehicles of the same make and to the size of the sample?"

#### Measuring variability

On commonsense grounds the size of the sample is of obvious importance. Thus if the cost records of only one vehicle of each type were available, no significant conclusions would be drawn from the comparison. If one seemed more expensive than the other it might be the odd sub-standard car that is produced from time to time. The chance that for a given size of sample a cost difference in favour of one make will be due to these "errors of sampling" depends on the variability of the costs for each make. The statistical measure of variability is the "variance", defined as the average of the squared deviations from the mean (arithmetic average). The

square root of the variance is the standard deviation. As an example, 7 and 11 have an arithmetic average or mean of 9: the sum of their squared deviations from the mean is  $(7-9)^2 + (11-9)^2 = 8$ , and the variance is  $\frac{8}{2} = 4$ . The standard deviation is  $\sqrt{4} = 2$ . For the seven operating costs recorded for these Morris Minors in the table the variance can be shown to be 500 and for the Anglias 939. The corresponding standard deviations, which are 22 and 30, can be used in the following way to assess the probability that the true difference in average operating costs is within any particular range.

The first part of the problem we have posed is that we have a fleet of vehicles on which we have recorded a large number, say 20 or more, of operating costs and we wish to compare these operating costs with the operating costs of a few vehicles of another type. Suppose for illustration that the average operating cost, namely £207 of the Anglia, as given in the table, is perfectly accurate, being taken from a large sample. Suppose also that we wish to compare this operating cost with the operating cost of the Morris Minor as given by the sample of seven vehicles in the table.

We first estimate the difference in depreciation and interest. Let us assume that it is £19—that is, that the Anglia is cheaper than the Morris Minor in this respect by £19 per annum. If the Morris Minor is to be accepted as preferable to the Anglia we must have confidence that the remaining costs, namely the operating costs, are at least £19 per annum less for the Morris Minor than for the Anglia.

#### Probability calculation

To establish whether or not we can reasonably have this confidence, we work statistically by calculating the probability, given an assumed difference between the operating costs, of our getting the observed difference or a smaller difference purely by chance. If there is a high probability of getting this value or a smaller one purely by chance it follows that it is very likely that the assumed value for the difference in operating costs is correct, at least to the extent that the data we have to hand is quite consistent with it. Suppose we set up the criterion that for us to revise our view on the difference between the operating costs of the two vehicles the probability of getting the observed difference or less between the two operating costs must be less than 80 per cent. Let us see how this would be applied to our particular example.

As the known difference in deprecia-

tion and interest charges is £19 in favour of the Anglia, we might work on the assumption that the difference in operating costs between the two vehicles is £19 in favour of the Morris Minor. Given this assumption we calculate the probability of getting the observed difference of £23 (£207 minus £184) from the following formula:

$$t = \frac{\sqrt{n-1} (d-D)}{\sigma}$$

where  $\sigma$  is the standard deviation of the Morris Minor operating costs and  $n$  is the number of Morris Minors in the sample,  $D$  is the assumed difference in operating costs and  $d$  is the observed difference in those costs. In our example  $\sigma$  equals 22 and  $n$  equals 7, and these figures with  $D$  equals 19 and  $d$  equals 23 make  $t$  equal to 0.445. We now require a table known as the table of the  $t$  distribution. This table is given on page 132 of *Biometrika Tables for Statisticians\** and as an appendix to many textbooks on statistics. To each value of  $t$  and each size of sample there corresponds a probability given in this table. The first column in the table gives different values of  $t$  while the top row gives  $n-1$ —that is, the size of the sample less one. The specific value of  $t$  we have found in our example is 0.445, but we may round this to the nearest decimal figure, giving 0.4. Consulting the table, we find that the figure given for  $t=0.4$  and for  $n-1=6$  is 0.64850. This figure of 0.64850 is the probability of our getting an observed difference of £23 or less in the operating costs of the two vehicles, if our assumption is true that the actual difference is £19.†

We have set up the criterion that we should not revise our assumption of the actual difference unless the probability in question is 80 per cent. or less; since it is approximately 65 per cent. we should reconsider our view on the difference between operating costs—revising downwards our assumed difference of £19 (a difference that was in favour of the Morris Minor). The exact figure we take might be the one which has an 80 per cent. chance of giving the actual difference of £23 or less: the figure is in fact £15. The actual figure we take is, however, unimportant. On the standards of

\* By Pearson and Hartley, Cambridge University Press.

† The alternative, and more usual, way of looking at this is to note that, given the assumed value of  $D$ , the probability of getting the observed value or more is  $1 - 0.6485 = 0.3515$ . If this figure is relatively small, it makes our assumed value of  $D$  appear implausibly low. We may then conclude, with this degree of confidence, that the true value of  $D$  is larger than the assumed value. A more exacting standard of evidence would be to revise the assumed value of  $D$  unless the probability of getting the observed value or less is at least 95 per cent.

evidence we have set ourselves, we have established all that is important to make a decision between the vehicles—namely, that the difference between the operating costs of the two vehicles can be taken as less than £19. The decision therefore goes to the Anglia.

#### Extension to more complex problem

The example we have given is a relatively simple one in which the costs of one of the vehicles are known with considerable certainty. Similar statistical tests, however, exist for the more complicated case mentioned above, when it

is necessary to decide which of two vehicles offers the lower operating costs when all the data available on both vehicles comes from relatively small samples and is thus subject to possible error. The test required for this particular case will be found described on page 27 of the *Biometrika Tables*.

#### Economic accounting the main technique

In this article we have focused attention on the strict accounting-statistical problems involved in making the best choice. Nevertheless, we fully recognise the practical difficulties of providing the

information required to apply the method and of the problems presented both by frequent changes of models and by the diversity of models from which a choice may be made at any given time. Also, we would not wish to discount the usefulness of purely technical assessments as aids to the making of correct decisions, particularly by assessing the likely differences in costs that might result from relatively minor changes in models. In the final analysis, however, the problem is one of economic accounting in which the role of those with special technical knowledge is to aid in the establishment of particular costs.

## Taxation

# The Finance Bill

IT IS IMPOSSIBLE in one article to do more than deal with the outline picture of the voluminous provisions in this year's Finance Bill, which, so far as income tax, profits tax and estate duty are concerned, contains fifty-five sections and four schedules (plus several pages of repeals). The Bill contains eighty pages in all, of which only about a dozen are on other taxes.

The highlights are the restrictions on relief for losses; the sales of shares of certain companies; cancellation of tax advantages from certain transactions in securities; taxation of receipts after cessation of professions, etc.; taxation of compensation for loss of office over £5,000; and the revision of the penalty provisions.

Here we go into more detail in the case of the provisions that may be met by many readers than in those aimed against avoidance of tax by involved methods.

## Income, Surtax and Profits Tax

So far as the rates of income tax and surtax and the payment of tax free pre-war annuities are concerned, the Bill merely gives effect to the budget resolutions details of which appeared in ACCOUNTANCY for April (pages 222-4). The additional relief of £40 to be given to widows, widowers and other persons not entitled to the married personal relief will not apply to a woman, who is not a widow, unless throughout the year of assessment that woman is either in full-time employment or engaged full time in some trade, profession or vocation or totally incapacitated by physical or mental infirmity. As stated in last month's article, the claimant must be entitled to

child relief and be unable to claim relief under Sections 214, 215 and 218 of the Income Tax Act, 1952 (housekeeper and similar allowances). This relief and the increase to £75 in the dependent relative and housekeeper reliefs will not affect P.A.Y.E. deductions before June 22, 1960.

#### Small Maintenance Payments

It is proposed in Clause 38 of the Bill to amend the provisions of Section 205, Income Tax Act, 1952, so that payments made by the woman to the man may be treated as small maintenance payments and paid without deduction of tax. Previously only payments made for the benefit of the woman could rank as such. The maximum weekly payment in the case of a party to the marriage is to be £7 10s. instead of £5 and for payments to any person for the education or maintenance of a person under twenty-one years is to be £2 10s. instead of £1 10s. These new provisions will not affect payments falling due before April 6, 1961, under an order made before July 31, 1960. Where an order made before July 31, 1960, is varied or revived after that date, the new provisions apply to payments falling due after the date of variation, etc.

#### Retirement Annuities

Section 23 (3), Finance Act, 1956, provides that where notice of assessment is given after or within six months before the end of the year of assessment and the individual pays a qualifying premium after the end of that year but within the period beginning with the date of the notice and ending six months after the date on which the assessment becomes final, he may treat the payment as paid for the earlier year and not that in which it was paid. This wording gave rise to an anomaly whereby payments made *after* the end of the year of assessment and *before* the date of

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the notice could not be related back to that year of assessment. Clause 39 seeks to remove the anomaly by substituting for the words "date of the notice" the words "the end of the year of assessment."

#### National Insurance Contributions

Clause 17 of the Bill when enacted will be substituted for Section 377 (2), Income Tax Act, 1952, except insofar as that Section refers to employers' contributions, where the position is to remain the same as at present.

The reliefs for a full year are:

<i>Description of contributor</i>	<i>Amount for relief</i>
	£
1. Employed persons over the age of eighteen .. . . .	15
2. Employed persons under the age of eighteen—	
(a) boys .. . . .	8
(b) girls .. . . .	6
3. Self-employed persons over the age of eighteen—	
(a) men .. . . .	20
(b) women .. . . .	16
4. Self-employed persons under the age of eighteen—	
(a) boys .. . . .	12
(b) girls .. . . .	9
5. Non-employed persons over the age of eighteen—	
(a) men .. . . .	19
(b) women .. . . .	15
6. Non-employed persons under the age of eighteen—	
(a) boys .. . . .	11
(b) girls .. . . .	9

Where the taxpayer is a contributor of any particular description for part only of the year, the amount of the relief is reduced proportionately. Where the contributor is an employee and a married woman or widow who is not required to pay contributions under the provisions of the National Insurance Act, the sums of £15 and £6 shown above are to be reduced to £5 in each case. Where the taxpayer's wife pays contributions under any of the above descriptions, the husband is entitled to the relief appropriate to that description in addition to relief on his own contributions, but where the wife has earned income, the amount of the relief is to be deducted so far as possible from that income. This will mean that the earned income relief appropriate to the wife's earned income will be restricted. The earned income relief appropriate to the husband's earned income need not be so restricted. The wife's National Insurance contributions will continue to be deducted in calculating the reduced rate relief on her earned income. Where the husband is married for part only of the year the deduction in respect of the wife's contributions will be that proportionate part of a year that the period they are married and she pays contributions bears to a year, e.g. if they are married for four months and the wife pays full contributions the relief will be 4/12ths of £15=£5. Where separate assessments are claimed by husband and wife the relief is to be

divided according to the husband's or wife's liability to pay, or payment of, contributions giving rise to the relief. The payments will be deducted for surtax purposes where there is a claim for separate assessments in a similar manner.

The Bill defines a "contributor" as a person liable to pay (directly or by deduction from remuneration) contributions under the National Insurance Act . . . or a person entitled to pay such contributions who pays them except that a married woman or widow who as such . . . is not required to pay contributions shall nevertheless be treated as a contributor and an employed person while she is an employed person and is either under pensionable age or has not retired from regular employment.

The above provisions are to apply for the year of assessment in which the graduated scheme comes into operation and for subsequent years.

#### Losses

Losses (including unused capital allowances in respect of expenditure incurred after April 5, 1960) in respect of which relief could be given for 1960/61 or any subsequent year under Section 341, Income Tax Act, 1952, or Section 15, Finance Act, 1953, will rank for that relief only if the business was being carried on on a commercial basis and with a view to the realisation of profits in that business (or if it is part of a larger business, in the business as a whole).

Similarly such losses are not to be available for the calculation of a deficit or surplus for the relief in respect of subvention payments.

If during the year of assessment or accounting period there is a change in the manner of carrying on the business, the test is the way it is being carried on at the end of the year or period. Professions and vocations are included, the word "commercial" being construed appropriately.

We foresee many arguments when this becomes law. A bad farmer surely always tries!

Section 142 of the Income Tax Act, 1952 (setting off a loss in one business against a profit in another) will cease to have effect as respects losses of any accounting period ending after April 5, 1960. This seems to be a tidying-up provision which will harm nobody.

#### Sales of Shares in Certain Companies

Where, after April 5, 1960, the shares of a company dealing in securities or land or buildings, or developing land, are sold to a person who will have control of the company, and the receipt would not be in the nature of income of the seller, it may be treated as his income unless the appropriate body of Commissioners (that is, General or Special) are satisfied that all the trading stock at the date of sale has been or will be disposed of either in the course of the trade or to a person who acquired it as trading stock.

The provision will apply also to a company carrying on a trade such that any one object that is included in trading stock at the time of the sale of the shares forms a substantial part of the assets of the company.

The income will be measured as the profits that would have been produced by the company receiving at the date of the sale consideration for its trading stock equal to the sale price of the shares, less an amount arrived at as follows:

The appropriate proportion (see below) of the excess of the following values over the aggregate liabilities of the company at the date of sale. Should the liabilities exceed the values, the appropriate proportion of the excess is added to the consideration for the shares.

The values in question are:

- (a) The written-down value of any assets of the company on which capital allowances have been made.
- (b) The cost of goodwill purchased at arm's length from an independent person.
- (c) The open market selling value of any other assets. Should the seller be a controlled company liable to surtax directions under Section 245 of the Income Tax Act, 1952, the income so arrived at will be treated as investment income.

Any tax not paid by the seller will be recoverable from the company. The income will be treated as the highest part of the seller's income if he is an individual.

There is a safeguard to the Revenue that if stock thought to be held for sale is not sold within six years, it can, if appropriate, be charged at the end of that period. Receipts from sale of stock on which tax has been charged under the new provisions are to be disregarded for tax purposes.

If a company's activities consist of or include the erection of a building and after the erection has begun, and not later than six years after its completion, shares are sold to a person who will then control the company and the company still has an interest in the building, the value of that interest forming a substantial part of the value of the company's assets, the above provisions will apply as if the interest in the building were trading stock. Should such a company be wound up, the open-market selling value of the interest in the building is to be brought into account as income immediately prior to the company going into liquidation.

Sales of shares in holding companies are dealt with so that the above provisions cannot be avoided by having the asset in one company and selling the shares of its parent company.

The new provisions will stop *inter alia* the growing practice of forming a company to acquire land ripe for development and when it appreciates in value selling the shares instead of the land. It may also lessen the number of cases in which a dwelling house is owned by a company formed for the purpose.

#### Dealings Between Associated Companies

There have been many cases of sales between associated companies, one of which is a dealing company and the other not. In such a case any profit of the latter is to be treated as income chargeable under Schedule D, Case VI (and income for surtax purposes where appropriate). This provision, and the one dealing with the sale of shares in an investment company to an associated dealing company

will be dealt with in a subsequent issue. So will the provision to prevent loss of tax by financial operators purporting to sell stocks *cum* dividend when they have no right to the dividend themselves.

#### Dividend Stripping

Ways had been found of avoiding the existing anti-dividend-stripping legislation of 1955 and 1958. A typical example was that the owner of a "one-man" company with a high rate of profit and an issued capital of £1,000 and accumulated profits of £49,000 (surtax clearances having been obtained after declaration of annual dividend) and with enough liquid assets or borrowing facilities would sell his shares to a share-dealing company with a stock exchange quotation, for £50,000 (or more—say, for our illustration, £50,000). The buying company would then be paid a dividend of say £30,000 net, and sell the shares to a new subsidiary company for £20,000. (The original vendor might have shares in this subsidiary!) The effect was to acquire the business for £20,000 though the vendor got £50,000, of which £30,000 came out of the business. To counter such transactions, it is to be provided that if in any of the circumstances listed below, in consequence of a transaction or transactions in securities, a person can obtain a tax advantage, he must show that the transactions were for *bona fide* commercial reasons or in the ordinary course of making or managing investments and none of them had as their main object or one of their main objects, the obtaining of tax advantages. The provision will not apply if the person could first have obtained the advantage before April 5, 1960.

The circumstances are—in connection with the distribution of profits, income, reserves or other assets of a company or their transfer or realisation:

- (a) if the recipient is entitled to recover tax on dividends received and the dividend is abnormal in amount; or
- (b) if a person is entitled to a deduction in computing profits by reason of a fall in value of the securities resulting from the payment of a dividend or other dealing with assets of a company; or
- (c) if a person as or as part of the consideration for a sale (or in any other way) receives sums or assets representing profits available for distribution.

The procedure is to be analogous to that in connection with surtax directions save that appeals from a decision of the Special Commissioners on appeal will be to a tribunal consisting of the chairman of the Board of Referees (now to be appointed by the Lord Chancellor) and two or more persons appointed by the Lord Chancellor as having special knowledge of and experience in financial or commercial matters.

#### Post-cessation Receipts

The Cheyney decision indicated a serious loss of revenue where large sums are received after cessation of business, particularly where the cash basis was used. Such receipts are now to be taxed. Rules are also laid down for the

valuation of work-in-progress or on discontinuance. This question will be examined in a later issue of ACCOUNTANCY.

Debts set off against profits and subsequently released will in future be treated as income when released. (This will negative the decision in *British Mexican Petroleum Co. v. Jackson*, 1932, 16 T.C. 570 (see note in our February, 1960, issue, page 88). This new provision does not apply only to cessations, but also to continuing businesses.

#### Compensation for Loss of Office

Payments after April 5, 1960, on retirement or removal from office or employment in excess of £5,000 are to be liable to tax under Schedule E, no matter by whom the payment is made and when made to the person who held the office or to his spouse or dependant(s). Payment includes any consideration. There are certain exceptions, e.g. payments for restrictive covenants already liable to surtax; duties performed outside the United Kingdom; payments in connection with termination of office by death or made on account of injury or disability; the equivalent of lump sums under a superannuation scheme; terminal grants to the Armed Forces. There are provisions in the Fourth Schedule for spreading the receipt.

The Courts will presumably have to revise their interpretation of the *Gourley* decision in awarding compensation where it is now to be taxable.

#### Penalties

The assimilation of penalties into a new and compact code is welcome and makes sense which the existing provisions do not. These provisions need careful study (they occupy eighteen Clauses (ten pages) but can briefly be summarised thus:

- (1) A distinction is made between penalties and recovery of back duty. In the case of fraud, wilful default or neglect, assessments can be made for years prior to the last six to recover tax lost provided an assessment has been made within those six years in the normal way, but leave must be given by the General or Special Commissioners; the person affected has the right to be heard when the application for leave is heard. The extension does not apply to a deceased person's estate. Simple interest at 3 per cent. will be charged from the date at which the tax ought to have been paid. The Commissioners of Inland Revenue may mitigate the interest.
- (2) The penalty for failure to make a return is to be £50 plus £10 a day for default after it has been established in proceedings. Fraudulent giving of information, documents, etc., by any person will attract a penalty not exceeding £500.
- (3) The £20 plus three times the tax chargeable (as in the *Hinchy* case), or tax liability whether paid or not as the case may be, disappears; the new penalty is £50 plus (a) in the case of fraud twice the tax lost or (b) in the case of negligence the tax lost.
- (4) There will be a right of appeal from the General or Special Commissioners to the High Court, which

will no longer have to award a fixed penalty, but will have discretion to confirm or reverse the decision of the Commissioners or to reduce or increase the sum awarded.

A first assessment of these new provisions suggests that the average case will be settled on much the same lines as hitherto but the taxpayer's advisers will have more elbow room in deciding whether to advise a hearing before Commissioners.

## Estate Duty

#### Gifts *Inter Vivos*

If the death of a person dying after April 4, 1960, occurs in the third, fourth or last year of the five-year period beginning at the date of the gift, relevant disposition or event, the principal value of the gift or disposition will be reduced for estate duty purposes, as follows:

<i>Death takes place</i>	<i>Reduction in value</i>
In third year	15 per cent.
In fourth year	30 per cent.
In fifth year	60 per cent.

The term "relevant disposition or event" means:

- (i) any *donatio mortis causa* or gift *inter vivos* (Section 38 (2) (a), Customs and Inland Revenue Act, 1881);
- (ii) discharge of certain debts disallowable for estate duty purposes (Section 31 (2), Finance Act, 1939);
- (iii) dispositions in favour of relatives treated as gifts under provisions of Section 44, Finance Act, 1940;
- (iv) the creation or extinguishment of debts created by the deceased and deemed to be a disposition of property under the provisions of Section 45, Finance Act, 1940;
- (v) premiums in respect of life assurance policies treated as gifts under the provisions of Section 34 (2), Finance Act, 1959;
- (vi) dispositions or determinations of life interests within five years of death (effected for charitable purposes, one year) of life tenant mentioned in Section 43 (1), Finance Act, 1940;
- (vii) disposition of personal interest of a tenant in tail to Parliamentary settled estates as provided for in Section 45, Finance Act, 1950; and
- (viii) the purchase of an interest in expectancy falling within the provisions of Section 28 (1) (b), Finance Act, 1958.

If the deceased was not at the time of the gift excluded from possession or enjoyment of the property, the five-year period commences at the time he was so excluded.

Any deductions allowable under Section 3 (2), Finance Act, 1894, Section 44 (1), Finance Act, 1940, Section 40 (2), Finance Act, 1944, and Section 28 (8), Finance Act, 1958, from the value of the property are to be made before making the percentage deduction listed in the first paragraph.

In considering whether a gift is to be exempt from duty as being under £500 (settled property, £100), or whether

marginal relief under the provisions of Section 38 (11), Finance Act, 1957, is to apply in respect of gifts over £500, references to the amount of the gifts are to be referred to the amount *before* the percentage reduction in value.

**Illustration (1)**

Andrew died in February, 1960. He made a gift to Paul in June, 1957, valued for estate duty purposes at £4,000. There will be no reduction in value. If Andrew had died on April 10, 1960, the value of the gift would be:

Amount .. .. .. ..	£4,000
Less 15 per cent. of £4,000 .. .. ..	600
Duty levied on .. .. .. ..	<u>£3,400</u>

**Illustration (2)**

Archibald died on April 22, 1960, having made a gift on July 6, 1955, to Mary, valued for estate duty purposes at £6,000. The value of the gift would be:

Amount .. .. .. ..	£6,000
Less 60 per cent. of £6,000 .. .. ..	3,600
Duty levied on .. .. .. ..	<u>£2,400</u>

**Valuation of Assets of Section 55 Company**

Where a person dies after April 4, 1960, and his estate includes shares or debentures the value of which is to be calculated by reference to the principal value of the assets under the provisions of Section 55, Finance Act, 1940, in computing the value of those assets the valuation is to be made on the basis that the assets are subject to an enforceable restriction that they are to be used or occupied only for the purposes of that business. This provision does not apply to securities, stocks, shares, land or buildings belonging to a company whose business wholly or mainly consists of dealing in securities, stocks or shares, land or buildings or making or holding investments.

The value of the shares or debentures is not to be reduced below the lower of:

(a) the price which, in the opinion of the Commissioners of Inland Revenue, the shares would have fetched if sold in the open market at the time of the death of the deceased; or

(b) the amount at which they would have been estimated under Section 55, Finance Act, 1940, if the new provision had not been passed—that is, the net asset value.

## What is Income?

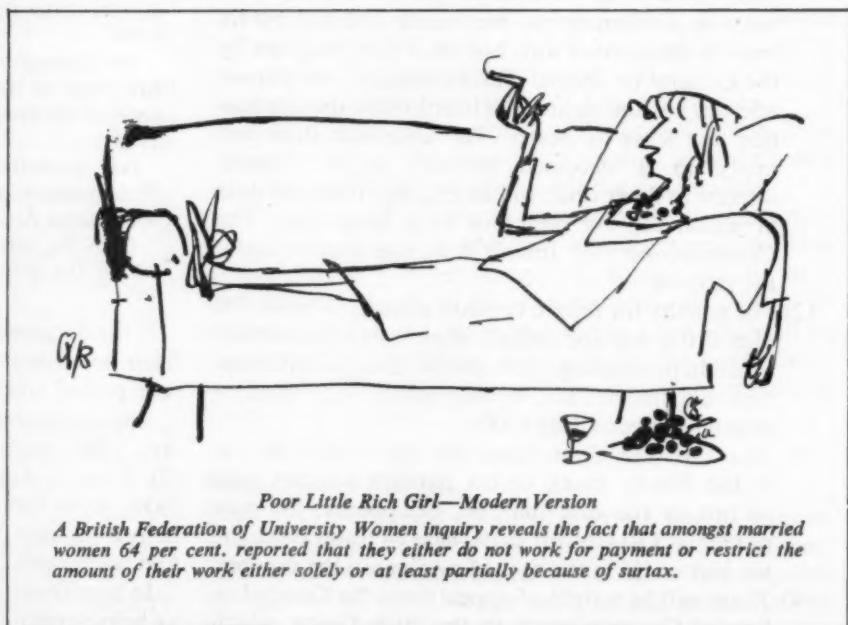
IN THE United Kingdom income tax system no attempt has been made to define "income." (The Royal Commission on the Taxation of Profits and Income said that other countries have achieved the work of definition without any known ill-effects!) The Income Tax Act, 1952, consolidating the law up to that time, looks first at sources of income, the income being measured according to the rules laid down in the various Schedules and Cases. But the distinction between income and capital, being often a matter of degree and fine distinction, is left for the interpretation of the General or Special Commissioners and, on points of law, the courts, if appeal is made to them.

As the Report of the Royal Commission shows, in general no income is recognised as arising unless an actual receipt has taken place, but a receipt may take the form of a benefit in kind having money's worth. The taxation of an owner-occupier on the annual value of his occupation of a house is based on a

benefit in kind, the benefit he enjoys of living there, rent free. It appears that a large section of the community today is not convinced that the owner-occupier should be taxed in that way. The Royal Commission argued that he should be—on the grounds that there would be an inequality of burden as between the

owner-occupier and other taxpayers if he were not taxed.

Receipts of an inherently income nature are rents, interest, annuities, dividends, royalties, salaries and so on. Business profits—that is, the income from the business less the proper expenditure incurred in earning it—are also income. (Receipt of



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cash in respect of a debt in the course of business is not essential, of course; the debt is brought in when it arises as the result of a sale, and if it is not received, it will be written off against profits when it proves to be bad.) Sources inherently capable of producing income—such as land, investments, businesses, employments and so on—give rise to certain difficulties where the receipt from them is not obviously of an income nature. For example, a dealer in land or investments or in businesses is turning them to account in the way of trade and must pay tax on the profits so made. The question is then whether his gain is a mere increase in value of his asset, which is not income, or whether it arises in an adventure in the nature of trade.

In an employment, it is the employment itself that is the source of income and the question is whether the receipt accrues from that employment—for example, compensation for loss of office which is provided for in a service agreement is fruit of the employment and chargeable as income, whereas a lump-sum payment to terminate such an agreement, a payment not mentioned in the agreement, is usually a capital payment, as is a lump-sum payment in commutation of pension rights.

Whether or not a receipt is income depends on its status in the hands of the recipient; whether or not it is a capital payment of the payer is irrelevant—for example, a person buying a motor car for use in his business is making a capital payment to the motor manufacturer or dealer from whom he bought the car and whose receipt is of a revenue nature.

It is only recently that a purchased annuity has ceased to be wholly income; now the capital content is exempted from tax. Today, also, the consideration for entering into a restrictive covenant in connection with an employment is liable to surtax in the hands of the recipient. It is seen, therefore, that the legislation can and does step in from time to time to change the law and to bring within the net of income some receipts previously regarded as capital or to give relief for the capital con-

tent on receipts formerly regarded as income.

So far, capital gains have not been assessed in the United Kingdom though in many quarters there has been agitation for their being charged. The great difficulty is the treatment of losses in such taxation.

There are often two ways in which a transaction can be done, one attracting tax, the other not. For example, a man who builds one or two houses with a view to selling them risks being treated as adventuring into trade if it is obvious that the houses were built for resale and not for his occupation. If, however, he forms a separate company to own each house, he can sell the shares and, unless he is a dealer in shares, so make a capital profit. The question of how often he could do this before being charged as earning on a venture in forming companies in the way of trade may yet arise! Likewise a man may sell an asset for a capital sum payable by instalments, or for a share in future income; the former is capital, the latter income, unless the transaction is in fact the purchase of an annuity, when, as already mentioned, the capital content escapes tax.

The capitalisation of profits applied in paying up bonus shares is good against the Revenue; such

shares cannot be taxed. Nor can the distribution of a capital profit by a United Kingdom company. But the distribution by a company of shares in another company (unless representing a capital profit) is income. So is the distribution of a capital profit by a non-resident company where the income is assessable under Case V of Schedule D. The right given to a director or employee to purchase shares in the employing company at less than their market value is income to the extent of the difference.

One useful elementary guide to what is income is to regard it as the fruit of the tree which is the capital producing it, provided the receipt of the fruit leaves the *corpus* of the asset substantially intact to produce more fruit. The sale of the tree will normally be capital, except in the hands of a person growing trees on a commercial basis. This is often a difficult test to apply, however, as is seen in the great number of disputes in the courts between Revenue and taxpayer. It is, therefore, apparent that "what is income?" is a question to which there is no exact and all-embracing answer. As soon as departure is made from the obvious, it becomes a matter of degree and, therefore, to a large extent of opinion formed by having regard to all the surrounding facts.

## Taxation Notes

### Losses

The anomaly which has led to the proposal in the Finance Bill, 1960, to repeal Section 142 of the Income Tax Act, 1952, in respect of losses of any accounting period ending after April 5, 1960, can be illustrated as follows:

A.T. has been carrying on a successful business for many years, and on May 1, 1958, he set up another business, assessable separately. In the year to April 30, 1959, the new business showed a loss of £1,200. Had this been a profit, the assessments would have been (ignoring fractions of months):

1958/59	11/12ths of £1,200 = £1,100
1959/60	£1,200
1960/61	£1,200

Because of the wording of Section 142, the losses have to be computed in the same way as profits, and the above amounts would be those available as losses against the assessments on the other business (up to the amount of those assessments) before deducting capital allowances; thus A.T. could get relief on £3,500 in respect of £1,200.

**The Budget and the Finance Bill**  
There is an interesting difference between the Budget resolution regarding losses and the resulting

clause in the Finance Bill.

The Budget resolution reads:

**14. LOSSES, AND CAPITAL ALLOWANCES  
FOR AGRICULTURE AND FORESTRY**

Resolved, that—

(a) the availability of losses for relief against tax on other income, and of capital allowances, primarily available against agricultural or forestry income, for deduction from other income, and the operation of section twenty of the Finance Act, 1953 (subvention payments) shall be restricted by reference to whether the occupation of land or carrying on of a trade is on a commercial basis and by reference to expectation of profit;

(b) section one hundred and forty-two of the Income Tax Act, 1952 (setting off losses of one trade against profits of another) shall cease to have effect.

This provision would appear to include relief under Section 314, Income Tax Act, 1952, in the capital allowances in question.

Clause 18 of the Bill, however, refers only to those capital allowances which are available to be added to a trading loss by virtue of Section 20, Finance Act, 1954—that is, those capital allowances which fall to be made in charging the profits for the relevant year of assessment; therefore allowances available primarily against classes of income are not included.

It will be intriguing to follow this Clause through the debates. It should be made clear that, if the Clause applies to any business, any loss not available under it may be carried forward under Section 342 of the Income Tax Act, 1952, so that if a bad farmer suddenly has a good year and is then treated as on a commercial basis, he is not deprived of relief for past losses. And what about terminal losses? Will a farmer who ceases to make profits be accused of no longer trying? It would be an idea to have a new tribunal to which the taxpayer can appeal—the local General Commissioners may all be farmers who dislike the appellant's habits!

**What is Earned Income?**

Earned income includes:

(1) All income from any office or employment (or property attached thereto);

(2) Deferred pay, pensions, retirement annuities, compensation for loss of office, etc., in respect of past services of the individual or of the husband or parent of the individual, or given to the individual in respect of past services of any deceased person; this includes annuities, pensions, etc., to a child or dependant; a pension, etc., may be voluntary;

(3) Any income from carrying on a business either as an individual or as an active partner, and retirement annuities in respect thereof;

(4) Family allowances;

(5) Income from patent rights in respect of an individual's own or joint invention;

(6) Dividends arising by virtue of an office or employment—for example, where a clergyman's emoluments include taxed dividends.

The first report of the Council on Tribunals, for the year ended December 31, 1959, gives the reasons that the Council had for recommending the exemption. It seemed to the Council unnecessary and impracticable for reasons to be given by the Board of Referees in cases submitted to them by the Special Commissioners under Section 251 of the Income Tax Act, 1952. The reason given was that the decisions of the Board do not determine the taxpayer's rights, but are merely rulings that there should be further proceedings; full evidence is not taken before the decision is made; further, the decisions are conclusive as against the Crown, but a taxpayer-company, against whom the decision has gone, has a right to appeal to the Special Commissioners and subsequently to the High Court by way of case stated.

As to other decisions of the Revenue tribunals, including the Board of Referees, to which the appeal procedure by way of case stated applies, the Council was satisfied that reasoned decisions were unnecessary in practice, because there was already a satisfactory procedure for obtaining reasons under Section 64 of the Income Tax Act, 1952.

Evidence was given to the Council by the Institute of Chartered Accountants in England and Wales.

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Those eligible are invited to subscribe for one year as from any issue. A form of application may be obtained from the offices of the Institute.

**No Giving of Reasons by Referees and Income Tax Commissioners**

We had a note in our issue of last May (pages 266-7) on the exemption, where the appeal procedure by way of case stated under the Income Tax Act of 1952 applies, of the Board of Referees and the Income Tax Commissioners from the obligation which would otherwise be upon them to give reasons for their decisions. As an exception, the Special Commissioners may be called upon to give reasons in cases in which a re-hearing by the Board of Referees may be required.

**Conflict of D.T.R.**

We regret that a drafting error slipped through in the second illustration to the article published in our April issue. In the right hand column on page 227, the note in brackets should read: "The limit (£618 at 8s. 10d.= £272 19s. 0d.) does not apply."

**Officers' Mess Subscriptions**

It has been notified by the War Office that, as a result of a recent decision by the Special Commissioners, annual subscriptions paid by officers to H.Q. Messes (Queen's Regulations 1955, para. 1315) may now be allowed as an expense allowance for income tax purposes. Claims for 1959/60 and future years should be submitted to H.M. Inspector of Taxes, Public Departments (5), Ty Glas Road, Llanishen, Cardiff, stating the address of the H.Q. Mess and the amount of the subscription paid.

**The Tyranny of Tax**

"Unless we have a revolution in our tax laws, we are in for a revolution by our taxpayers.

We must either correct, or we are bound to kick over, any system where taxes instead of common sense run our lives. Yet, today, good judgment takes a back seat to taxes in deciding things like where we live, what we do with our money, what we say in our wills.

Taxes are king pin when we consider whether we work, where, when or how much we work. Taxes dominate such private intimate things as whom we marry, whether and when we marry, or how we unmarry.

The stock market is steeped in taxes affecting what we buy, how long we hold on, whether, where, when and to whom we sell.

Taxes are the deciding factor in whether business is done or not done, whether it is done as a proprietorship, partnership or corporation, whether one or more companies are formed, whether an American or foreign company is organised, whether dividends are to be paid and to what extent, whether there is a merger, sellout, liquidation or whether it is best to stay put.

Four things are out of gear: rates are too high; there are too many loopholes; the law is too complicated; and enforcement is not complete. All are scheduled for the congressional operating table, but time is running out.

Tax rates are Arch Enemy Number One. Rates running up to 91 per cent. truly make a collector's item of income. We all know from experience how they curb incentive. But an equally serious threat is that human nature rebels against such rates by either beating the game or not playing at all. Devotion to taxes instead of to business syphons off precious time and energy from much more productive pursuits.

It will take two things to soothe these troubled tax waters. One is to lower the tax rates and the other is to do away with special benefits for special classes of taxpayers. The two remedies, employed together, will up the revenues and improve taxpayer attitudes toward the tax laws."—*From a recent address by Mr. J. S. Seidman, C.P.A., President of the American Institute of Certified Public Accountants.*

**Deduction of Tax from Annuities**

While the Inland Revenue will

arrange in appropriate cases of small incomes that either no income tax shall be deducted from small annuities or tax shall be deducted at reduced rates, this arrangement cannot be made for the larger annuities. It follows that where a retired taxpayer is in receipt of an annuity from an assurance office under a pension scheme, tax is deductible at the standard rate and he has to reclaim tax in respect of the earned income relief (and any other allowances not covered by other income). He can make a claim as each instalment of the annuity (commonly monthly) is received.

**Clitas**

Release 57 dated April 6, 1960, brought to subscribers "Current Law" Income Tax Acts Service a full report of the Budget resolutions introduced by the Chancellor of the Exchequer late on April 4, so far as they affect income tax, surtax and profits tax. Each Budget resolution is set out in full with the usual useful commentary and appropriate extracts from the Chancellor's speech and from the White Paper. The speed with which this issue was published calls for compliments to authors and publishers.

## Recent Tax Cases

**Income Tax**

*Part-time specialist under National Health Service—Whether holding an office or employment—Whether exercising profession—Expenses of domiciliary visits to National Health patients—Whether expenses allowable in assessment under Schedule E—Whether expenses deductible in assessment under Schedule D—Income Tax Act, 1918, Section 1, Schedule E, rule 6—Finance Act, 1922, Section 18—National Health Service Act, 1946, Section 3—Income Tax Act, 1952, Section 137 (a), Schedule D, paragraph 1 (Section 122), Schedule E, paragraphs 1, 2 (Section 156).*

The facts in *Mitchell and Edon v. Ross* (C.A. 1960, 2 W.L.R. 766) were noted in our issue of November, 1959 (pages 611-12). The case concerned the expenses of a medical specialist holding

a part-time appointment under the National Health Service Act, 1946. For the purpose of the hearing in the Court of Appeal, as for the hearing before Upjohn, J., the facts were taken as typical of four similar cases heard at the same time. The Special Commissioners had found that the part-time appointments of the specialists were offices within the meaning of Schedule E to the Income Tax Act, 1918, and Section 156 of the Income Tax Act, 1952, and that the remuneration from such offices was accordingly assessable under Schedule E; but that since the appointments were a necessary part of the exercise of their profession by the specialists (who each carried on one profession and not two), and were merely incidental thereto, the remuneration fell to be assessed as part of their professional earnings under

Schedule D. This decision was reversed by Upjohn, J., who held that even though a hospital appointment might be a necessary incident of a specialist's profession, the fact remained that a person holding an office or employment must be assessed under Schedule E in respect of his earnings from such office, while the expenses attendant upon such office must be dealt with under the rules applicable to Schedule E and under no other Schedule.

Lord Evershed, M.R., said that the two main questions which arose for determination were: (1) Should the taxpayer be assessed in respect of the profits, gains or emoluments arising to him from his practice as a consultant radiologist, both from his private patients and from his hospital appointment, under the relevant rules of Schedule D; or should he be assessed under Schedule D in respect of the profits or gains arising from his private patients, and under Schedule E in respect of the emoluments from his hospital appointment? (2) Were the sums which the taxpayer might deduct for the purposes of his Schedule D assessment limited to sums wholly and exclusively expended by him for the purposes of his private practice, or might he deduct all expenses so incurred for the purposes of his single calling of consultant radiologist, including expenditure relating to his hospital appointment?

His Lordship said that the answer to the first question depended upon whether the taxpayer's hospital appointment constituted an office or employment within Section 156, paragraph 2, of the Income Tax Act, 1952. He agreed with Upjohn, J., that the appointment constituted an "office" within that Section, although he preferred to express no view as to whether it was or was not a "public" office. It followed, therefore, that the emoluments which the taxpayer received in respect of that office or employment must be taxable under Schedule E. Upon the second question, however, the taxpayer must succeed. The answer to that question depended upon the meaning in its present context of the language of Section 137 (a) of the Act of 1952, which provides that

... in computing the amount of the profits or gains to be charged under Case I or Case II of Schedule D, no sum shall be deducted in respect of (a) any disbursements or expenses, not being money wholly and exclusively laid out or expended for the purposes of the trade, profession or vocation.

It was necessarily of the essence of the argument of the Crown that the word

"profession" in Section 137 (a) must be limited, so as to be confined to that "profession" or part of the profession the profits or gains arising from which were taxable under Schedule D. In his Lordship's judgment the language of the paragraph was too clear and unambiguous to admit of such a limitation in the present case, where, according to the findings of the Commissioners, the taxpayer's calling or "job in life" was the single profession of a consultant radiologist. If that was in truth his profession, as the Court must in his view clearly hold, then sums in fact wholly and exclusively expended for the purposes of that profession were deductible in the taxpayer's Schedule D assessment, and none the less so because they might have been attributable to his hospital appointment and could not wholly or partly be allowed in the assessment of the emoluments of that appointment under Schedule E. If it had been intended to make clear that the terms of paragraph (a) of Section 137 were limited as the Crown suggested, it would have been easy so to express the paragraph. Its terms, however, had been re-enacted without alteration after the passing of Section 18 of the Finance Act, 1922, and notwithstanding the insertion of the proviso to Section 122 (1) in the Income Tax Act, 1952. The argument of the Crown required that some gloss should be added to the statutory language, and he did not see any justification for making the gloss. Accordingly, although the taxpayers must be taxed in respect of their hospital appointments under Schedule E, nevertheless they might still bring into account by way of deduction in their Schedule D assessments sums shown to have been wholly and exclusively expended for the purposes of their single professions as consultants, even though referable to their hospital work, and even though not allowable in their Schedule E assessments.

In view of the general importance of the matter leave to appeal to the House of Lords was given.

#### Income Tax

*Relief from double taxation—Dividend stripping—Person entitled under any enactment to exemption from income tax—Company resident in Republic of Ireland—Effect to be given to plain words of statute notwithstanding international treaty—Finance Act, 1926, Section 23—Finance Act, 1928, Section 21—Finance (No. 2) Act, 1945, Section 52 (2)—Finance Act, 1948, Section 37—Income Tax Act, 1952, Section 349 (1), (2), (3),*

*Schedule XVIII, Part 1, paragraph 1(a), Part III—Finance (No. 2) Act, 1955, Section 4 (2), (8) (c).*

The facts in *C.I.R. v. Collico Dealings, Ltd.*, *C.I.R. v. Lucbor Dealings, Ltd.* (C.A. 1960, 2 All E.R. 44) were noted in our issue for November, 1959 (pages 612-13). The second case was not dealt with separately in the judgment of the Court of Appeal, but the decision followed that in the first appeal. The question for determination was whether the words

a person entitled under any enactment to an exemption from income tax which extends to dividends on shares

in Section 4 (2) of the Finance (No. 2) Act, 1955 (which restricts the right to the exemption where the holding of shares amounts to ten per cent. or more of the issued shares of that class and the dividend is paid out of profits accumulated before the date on which the shares were acquired) include and apply to persons resident in the Republic of Ireland and not in the United Kingdom to whom exemption from tax is granted by Section 349 of the Income Tax Act, 1952. The Special Commissioners agreed that the words quoted were wide enough and appropriate to cover Irish residents entitled to exemption, such as the first taxpayer company, but that the "very wideness and generality" of the words gave rise to the conclusion that they must be limited in their application on the basis of two principles of construction: (i) that if possible the construction of a statute should not have the effect of imposing the will of Parliament on persons not within the jurisdiction, and (ii) that it should not involve a breach of treaty with another country (in the particular case the treaty of April, 1926, with the Government of Eire, which afforded absolute exemption from British tax to residents of Eire who were not residents in the United Kingdom), unless so explicit as to allow of no other interpretation. This finding was reversed by Vaisey, J., who considered the quoted words "highly narrow and particular, and not in the least degree either wide or general." He held that as the words were unambiguous, effect must be given to the provisions of Section 4 (2) of the Act of 1955 even if they were contrary to international treaty or arrangement; therefore, as the words of the sub-Section included residents in Eire, the taxpayer company was not entitled to recover the tax from dividends paid to it by an English company.

Lord Evershed, M.R., said that the effect of Section 349 of the Act of 1952,

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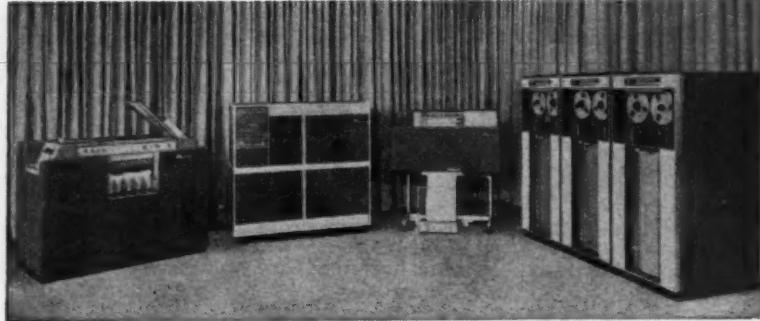
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by enacting as part of the municipal law of England the agreement with the Government of Eire of 1926, was to provide that Irish residents might have certain rights to recover tax which was exigible in respect of property in England or profits and gains arising in England. In so far as Parliament chose in 1952 to confer that statutory right, *prima facie* it must be equally clear that Parliament by some later statutory provision could modify or wholly revoke or repeal it. On the face of the agreement of 1926, its effect and its continued effect depended and was expressed to depend on confirmation by the legislature of the two countries concerned, so that the agreement itself contemplated that either side might at some time by the exercise of its sovereign legislative power put an end to it. Secondly, the right of the taxpayer company must depend on some provision giving effect to it in an English statute, which necessarily must be subject to review and modification by later legislative enactments. The taxpayer company was a person entitled to an exemption under "any enactment," which was not to be construed as "any enactment except an enactment which affects Irish residents" but as "any United Kingdom Act of Parliament." Accordingly Section 349 of the Act of 1952 was qualified by Section 4 (2) of the Act of 1955. It was true that the modification effected by Section 4 (2) might have been taken by those representing the Republic of Ireland to involve a breach and therefore a repudiation of the whole agreement, but on the facts that point was not taken, and it did not seem to follow at all that any modification of the statutory rights which Section 349 (2) of the Act of 1952 conferred was necessarily inconsistent with the continued confirmation in general terms of the agreement of 1926.

The appeal was accordingly dismissed; and the matter has now been put beyond doubt by Schedule VII to the Finance Act, 1959. Also, it is proposed to strengthen further the provisions against "dividend stripping" by an amendment of Section 4 (2) of the Act of 1955, contained in clause 29 of the Finance Bill, 1960.

#### Surtax

*Settlement—Accumulation of income during settlor's lifetime—Trusts in favour of settlor's wife and unborn children—Beneficiaries benefiting on settlor's death—Power of advancement—Power of advancement negated by trust for*

*accumulation—Contrary intention—No assumption for tax purposes that child would not be born when wife beyond child-bearing age—Children's interests not prior interests—Trustee Act, 1925, Sections 31 (1) (ii), 32 (1), 69 (2)—Income Tax Act, 1952, Section 405 (1), (2).*

Section 32 (1) of the Trustee Act, 1925, reads as follows:

Trustees may at any time or times pay or apply any capital money subject to a trust, for the advancement or benefit, in such manner as they may, in their absolute discretion, think fit, of any person entitled to the capital of the trust property or of any share thereof, whether absolutely or contingently on his attaining any specified age or on the occurrence of any other event, or subject to a gift over on his death under any specified age or on the occurrence of any other event, and whether in possession or in remainder or reversion, and such payment or application may be made notwithstanding that the interest of such person is liable to be defeated by the exercise of a power of appointment or revocation, or to be diminished by the increase of the class to which he belongs,

while Section 69 (2) of the same Act provides that:

The powers conferred by this Act on trustees are in addition to the powers conferred by the instrument, if any, creating the trust, but those powers, unless otherwise stated, apply if and so far only as a contrary intention is not expressed in the instrument, if any, creating the trust, and have effect subject to the terms of that instrument.

In *C.I.R. v. Bernstein* (Ch. 1960, 1 All E.R. 697) a settlor directed the trustees of the settlement to accumulate the income of the trust fund during his lifetime by investing it and the income resulting from it in authorised investments in augmentation of the capital of the fund for the benefit of the person or persons entitled thereto. Consequently no income was to be distributed before the settlor's death. After the death of the settlor the trustees were to hold the trust fund as to one equal third part in trust for all or any of the children or child then living of the settlor and his wife (and if more than one in equal shares), and as to two equal third parts in trust for the settlor's wife absolutely; but if the wife died in the lifetime of the settlor leaving children or a child surviving her, then the trustees were to hold the trust fund in trust for all or any of such children or child who should be living at the death of the settlor (and if more than one in equal shares absolutely). If the wife died in the lifetime of the settlor without leaving any children

or child of the marriage surviving her, then the trustees were to hold the trust fund in trust for the wife's sister absolutely.

The question for determination by the Court was whether income arising under the settlement in each of the years 1950/51 to 1953/54, inclusive, should be treated as income of the settlor under Section 405 of the Income Tax Act, 1952. That question depended on whether the settlor had "an interest in any income arising under or property comprised in" the settlement within Section 405 (1), (2), and that question, in turn, depended on whether the statutory power of advancement contained in Section 32 (1) of the Trustee Act, 1925, was applicable to the settlement and could be exercised in favour of the settlor's wife. The Crown contended: (i) that the trustees of the settlement had power under Section 32 of the Act of 1925 at any time to pay or apply for the advancement or benefit of the settlor's wife one half of the trust fund; (ii) that by virtue of such power one half of the property comprised in the settlement might become payable to or applicable for the benefit of the settlor's wife within Section 405 (2) of the Act of 1952; and (iii) that by Section 405 (1) and proviso (a) thereto of the Act one half of the income arising under the settlement in the relevant years was accordingly to be treated as the settlor's income. The settlor contended: (i) that the power of advancement contained in Section 32 of the Trustee Act, 1925, was not applicable to the settlement in as much as the settlement contained an indication of a contrary intention within Section 69 (2) of that Act, and (ii) that, even if the statutory power of advancement was to be read into the settlement, such power could not be exercised in favour of the settlor's wife without the prior consent of the persons (born or unborn) who had "prior interests" within Section 32 (1), proviso (c), of the Act of 1925, and that possible children of the marriage (there were none as yet) had such prior interests. Proviso (c) to Section 32 (1) reads as follows:

No such payment or application shall be made so as to prejudice any person entitled to any prior life or other interest, whether vested or contingent, in the money paid or applied unless such person is in existence and of full age and consents in writing to such payment or application.

The Special Commissioners held that the statutory power of advancement was not inconsistent with any express provision in the settlement, but that the interests of the unborn children were

prior interests within Section 32 (1), proviso (c), with the consequence that no advancement could be made owing to the impossibility of obtaining their consents. They therefore discharged the assessments on this ground.

Danckwerts, J., described the Crown's contention as "a very long shot" and thought that, as a statutory provision, Section 405 of the Act of 1952 was a "remarkable effort at bringing in things which are looked at from a very long range." It was plain that the settlor took no interest in the income of the trust fund and that his wife took no interest in the income except contingently on its being added to the capital and her surviving the settlor. On the contrary, there was an intention that no income should be distributed before the settlor's death. His Lordship applied *Re Turner's Will Trusts, District Bank, Ltd. v. Turner* (1937) Ch. 15—a decision actually on Section 31 (1) (ii) of the Act of 1925, which deals with maintenance—and said that if the power of advancement were exercised in the present case, its effect would be to cut off a portion of the income and put an end to the trust for accumulation to that extent. The trust for accumulation was inconsistent with the trust for advancement contained in the Trustee Act, and accordingly no advances of either capital or income could be made to the wife during the settlor's lifetime under Section 32 of that Act. This conclusion put an end to the Crown's claim based on that Section.

Had the power of advancement been applicable to the settlement, the children of the marriage would not have had prior interests to that of the wife (as found by the Special Commissioners) so as to necessitate their consent to any exercise of the power of advancement under Section 32 (1), proviso (c), of the Act of 1925 because, as regards two thirds of the capital of the trust fund and its accompanying income, the first interest was the interest of the wife and the interest of the children was only a contingent interest subject to her first interest. Alluding to a point taken before the Court but not before the Commissioners, his Lordship said it was true that the Court of Chancery, as a practical matter and as a matter of administration, would allow the distribution of a fund on being satisfied that a woman, by reason of age or on medical grounds, was past the possibility of child-bearing, but in a technical matter such as taxation it was not right to invoke such a rule of administration in order to aid the Crown to claim payment of tax in circumstances

which were still hypothetical. That view was supported by *Re Dawson, Johnston v. Hill* (1888) 39 Ch. D. 155, and *Re Deloitte, Griffiths v. Deloitte* (1925) All E.R. Rep. 118. In the result the Crown's appeal failed, though not for the reason given by the Special Commissioners.

#### Profits Tax

*Computation of profits—Franked investment income—Dividends from subsidiary company—"Functions" of company alleged to consist wholly of holding property—Colliery company's undertaking nationalised—Subsequent activities devoted to obtaining compensation pending liquidation—Whether company carrying on a trade or business—Finance Act, 1937, Section 19 (2), (4), Schedule IV, paragraphs 1, 1A—Finance (No. 2) Act, 1939, Section 12 (1), (2), (4)—Coal Industry Nationalisation Act, 1946, Sections 19, 22—Finance Act, 1947, Section 32 (1).*

The facts in *Henry Briggs, Son & Co. Ltd. v. C.I.R.* (C.A. 1960, 1 All E.R. 800) were noted in our issue of September, 1959 (page 483). In the Court below, Upjohn, J., held that the "functions" of the appellants' subsidiary company had not changed into the holding of investments or other property within Section 19 (4) of the Finance Act, 1937, on the nationalisation of its colliery interests under the Coal Industry Nationalisation Act, 1946, but that from January 1, 1947, onwards the subsidiary company was merely carrying out the residual functions of a colliery company about to wind up. The dividends paid by the subsidiary company were therefore not franked investment income of the appellant company and so were not exempt from profits tax. Section 19 (4) of the Act of 1937 provides as follows:

Where the functions of a company . . . incorporated by or under any enactment consist wholly or mainly in the holding of investments or other property, the holding of the investments or property shall be deemed for the purpose of this section to be a business carried on by the company . . .

The appellants contended, so far as relevant to the decision of the Court of Appeal, (i) that from January 1, 1947, the entitlement of the subsidiary company to compensation under the Act of 1946 was a right of property, (ii) that from such date the functions of the subsidiary company consisted wholly or mainly in the holding of that property and that the subsidiary company was itself a Section 19 (4) company, and

(iii) that dividends received by the appellants from the subsidiary from 1947 onwards were franked investment income exempt from profits tax under paragraph 7 (1) of Schedule IV to the Act of 1937.

Lord Evershed, M.R., said that the Special Commissioners had found as a fact that from the time when the Coal Industry Nationalisation Act, 1946, operated

No effort was made (by the subsidiary company) to embark upon any other trade, but the whole energies of the directors were devoted towards the ascertainment and obtaining of the compensation to which it was entitled under the Coal Acts.

The point for determination was whether, after the coming into operation of the Act of 1946, and in the light of the decisions of the subsidiary company extracted from the case, the functions of that company consisted wholly or mainly in the holding of property, so that the holding of that property should be deemed for the purposes of Section 19 (4) of the Act of 1937 to be a business which it carried on. The statutory right of the subsidiary company to obtain the compensation when ascertained, and to receive in the meantime interim income or other payments, was conceded for the purpose of the case to be a species of property. So to say, however, was not to conclude the matter in favour of the taxpayers because it must first be shown, as regards each accounting period, that the "functions" of the subsidiary company consisted wholly (he could leave out "or mainly") in the holding of investments or other property. In the end, therefore, the matter turned on the significance and use of the word "functions." In *C.I.R. v. Buxton Palace Hotel, Ltd.* (1948) 29 T.C. 329, Atkinson, J., said that the word meant "the activities appropriate to any business" and that a company whose business was temporarily stopped by requisition did not satisfy that test; nor did one which had given up trading.

It seemed to his Lordship that the appellants could only escape liability to profits tax if the phrase

shall be deemed for the purpose of this section to be a business carried on by the company . . .

in Section 19 (4) of the Act of 1937 contemplated a case in which there was really no business but there was none the less deemed to be a business if the earlier part of the sub-Section was satisfied; that is to say, if the subsidiary company had the function or functions of holding property. He agreed with

Upjohn, J., that a company did not have the "function" of holding property if it had deliberately determined to have no function, no activity in any business sense whatever; in fact, to do nothing except wait until the money due to it was paid and then go into liquidation. Therefore, the dividends in question were received from a company that was not carrying on a trade or business to which Section 19 (4) applied and the appellants were not entitled to exemption from profits tax in respect of them.

Harman, L.J., said that in *Carpet Agencies, Ltd. v. C.I.R.* (1958) 38 T.C. 223 he was reported as having said that

in order to get within Section 19 (4) one must prove, not merely that the company holds some income-bearing investments, but that one of its functions—that is, one of its purposes—has always been or has been for a considerable time, the making of money by the holding of investments.

He now thought the words "has always been or has been for a considerable time" unnecessary, but he adhered to that part of the dictum which said that one of the purposes of Section 19 (4) was the holding of investments; this, of course, is perfectly clear from the sub-Section itself.

#### Stamp Duty

*Guarantee—Sale agreement not under seal for sale of stock units—Duty claimed on guarantee as "mortgage, bond, debenture, covenant"—Whether duty chargeable ad valorem as on principal or primary security or chargeable at 10s. as on collateral or auxiliary or additional or substituted security—Stamp Act, 1891, Section 12, Schedule I—Revenue Act, 1903, Section 7—Finance Act, 1949, Section 35 (1) (a).*

Schedule I to the Stamp Act, 1891, contains (*inter alia*) the following heading of liability to stamp duty:

Mortgage, bond, debenture, covenant (except a marketable security otherwise specifically charged with duty), and warrant of attorney to confess and enter up judgment:

(1) Being the only or principal or primary security (other than an equitable mortgage) for the payment or repayment of money . . . 5s. per cent.;

(2) Being a collateral or auxiliary or additional or substituted security (other than an equitable mortgage), or by way of further assurance for the above-mentioned purpose where the principal or primary security is duly stamped.

By Section 7 of the Revenue Act, 1903, a collateral or auxiliary or additional or substituted security is liable to duty at

the rate of 1s. for every £100, limited to a maximum of 10s.

In *Henry Ansbacher and Co. v. C.I.R.* (Ch. 1960, 1 All E.R. 686) the appellants agreed to purchase practically all the Ordinary stock units in a company by a written contract of sale which was not under seal and was exempt from stamp duty by reason of Section 35 (1) (a) of the Finance Act, 1949. The appellants were to pay for every 1s. Ordinary stock unit in the acquired company 61s. on the first completion date arranged, plus a further sum on the second completion date, the amount of the second sum to be ascertained when compensation for the acquisition of the company's assets by the Federation of Malaya and Singapore was known. Pursuant to a term of the contract the appellants procured the execution and delivery by a bank of a guarantee of the due and punctual payment of the second sum to the extent of £750,000, and such guarantee was expressed as supplemental to the contract of sale. The Revenue determined that stamp duty was payable on the guarantee at the rate of 5s. per cent., amounting to £1,875, on the ground that the guarantee was chargeable under the head "mortgage, bond, debenture, covenant" in Schedule I to the Act of 1891, as being "the only or principal or primary security" for payment of the £750,000. The appellants contended that the sale agreement itself was a security and "the principal or primary security" for the £750,000, and that accordingly the guarantee was not a principal or primary security but a "collateral or auxiliary or additional or substituted security" which was liable to duty at the maximum amount of 10s. under Section 7 of the Act of 1903.

Danckwerts, J., said that several decisions on other paragraphs in Schedule I to the Act of 1891 had established "to the surprise of most people who come afresh to this Act" that the word "security" does not mean something which secures the payment of money by land or personal property being charged so as to make sure that the sum payable will be discharged, but includes a mere promise to pay a purely unsecured debt. The cases on those other paragraphs also established that a primary security might be a mere instrument under hand for the purpose of those paragraphs, and, if it had either been stamped with the proper duty or was exempt from duty, then any other document which was secondary to it could not be stamped as a primary document and it must, at most, bear the lower rate of duty provided. In the

present case it was said on behalf of the Crown that the sale agreement could not be a mortgage, bond, debenture or covenant within the material heading because it was not under seal and that, for the same reason, it could not be "the only or principal or primary security." That might be perfectly correct, but it did not make what was, in effect, a secondary security become the primary security within the meaning of the Act. The secondary security remained a secondary document, even though it was secondary to some document which was not a security under seal within the term "mortgage, bond, debenture, covenant" (for the words in paragraph 2 of the heading "mortgage, bond, debenture, covenant" must mean some document which is secondary to the document mentioned in paragraph 1).

The result was that neither the sale agreement under hand, nor the guarantee by the bank under seal, was a document within the heading under which duty was claimed by the Revenue, and the guarantee remained a secondary document. It was a collateral, auxiliary, additional or substituted security to a security of another kind than that mentioned in "mortgage, bond, debenture, covenant," but it was not thereby, for purposes of that heading, a primary document or the only document, or the only or principal or primary security and the Revenue claim for duty was misplaced in the way it was made. Accordingly, the stamp duty on the guarantee would be assessed at 10s.

#### Tax Cases— Advance Notes

The House of Lords has reserved judgment in the case of *Abbott v. Philbin (H.M.I.T.)* (see ACCOUNTANCY for December, 1959, page 674).

The taxpayer had in October, 1954, bought an option to purchase shares at 68s. 6d. each, the then market price. He exercised the option, in part, in March, 1956, when the shares stood at 82s. He had been given the opportunity of buying the option by his employer. The taxpayer was assessed to tax, on the difference between what he had paid and the market value in 1956, in respect of the relevant shares, less the relevant proportion of the option price, as an emolument of his employment.

The taxpayer contended that liability to tax could arise only for 1954/55, when the option was purchased. The

Court of Appeal, however, followed *Forbes's Executors v. C.I.R.* (1958, 38 T.C. 12) and upheld the assessment for 1955/56.

**CHANCERY DIVISION (Cross, J.)**  
**Childs Trustee Co. v. C.I.R.** April 6, 1960.

Certain lands, investments and capital moneys were held in trust for C. for life with remainder to D. in tail subject to:

- (a) various incumbrances affecting the fee simple of the land;
- (b) thirteen charges on C.'s life interest which were secured by policies of assurance on his life;
- (c) certain family charges; and
- (d) two terminable rentcharges.

The main terms of an agreement entered into by C. and D. were as follows:

1. A sum was to be raised out of the capital moneys and used to pay off eleven of the thirteen charges on C.'s life interest;
2. A further sum was to be raised out of capital and paid to C.;
3. The terminable rentcharges were to be extinguished and C. released from his liability for certain outstanding instalments;
4. Two of the policies on C.'s life which would be revested in him on the discharge of the charges on his life interest were to be converted into fully-paid policies on his life for an aggregate sum and brought into settlement by him; and
5. The lands and the balance of the investments and capital moneys were to be resettled in the usual way subject to the incumbrances on the fee simple of the lands and the existing family charges and the two remaining charges on C.'s life interest and also subject to an annuity payable to D. for life, with power to him to appoint an annuity to his widow in specified circumstances.

In pursuance of this arrangement the lands and capital moneys were disentailed and resettled. The investments and certain capital moneys (including the policies) were brought into settlement. The trustees of the settlement were directed to hold the policies until C.'s death and then to collect the policy moneys, in the events that happened, on trust for D. for life with remainders over.

On January 25, 1958, C. died and the Revenue claimed estate duty on the policy moneys then payable on the footing that they passed under Section 1, or were deemed to pass under Section 2 (1) (b), of the Finance Act, 1894, or alternatively estate duty under Section

2 (1) (d) on the value of D.'s life interest therein at the time of C.'s death.

The learned Judge held in a reserved judgment that Sections 1 and 2 (1) (b) did not apply. He held that duty was payable under Section 2 (1) (d) and that the charge was not affected by the fact that the resettlement was the outcome of a bargain between C. and D. which the trustees had contended had resulted in the application of Section 3 of the Finance Act, 1894.

**COURT OF SESSION (Lord Clyde (Lord President), Lord Carmont, Lord Russell and Lord Sorn).**

**C.I.R. v. Hood Barrs.** March 22, 1960.

This was an appeal from the Lord Ordinary in Exchequer Causes (Lord Walker). The matter had been brought before him by the Commissioners of Inland Revenue by a Note of Appeal under the Court of Exchequer (Scotland) Act, 1856, Section 17, and concerned four certificates issued by the Mull General Commissioners purporting to certify losses incurred by Hood Barrs in the trade of timber merchant. The certificates related to the years 1947/48 to 1950/51 inclusive.

Hood Barrs gave formal notice in general terms of his intention to claim adjustments of liability to tax because of alleged losses in the trade.

Later on, in December, 1957, Hood Barrs sent to the Inspector of Taxes an "adjusted computation" for 1947/48 showing a loss and informed him that a copy had been forwarded to the General Commissioners with a request to issue a loss certificate. In January, 1958, the Inspector told Hood Barrs that he had informed the Clerk to Commissioners that he did not accept that the basis of computation was accurate.

In November, 1958, at a meeting of the General Commissioners at which both sides were represented, assessments for the four years were discharged. Hood Barrs had produced a different computation of loss for 1947/48 and computations of losses for the remaining years. The loss computations were, however, at the request of both sides, not considered at the hearing.

On January 7, 1959, the Clerk to the Commissioners sent to both parties a "directive" signed by the Commissioners, purporting to make certain findings in law as to how losses were to be computed, and directed the parties to settle the amounts of losses "for the purpose of these applications in accordance with our findings above." Neither the Inspector nor anyone else in the Revenue ever received a copy of an

application for a loss certificate for any of the years in question or a computation of loss other than that for 1947/48 which was subsequently superseded.

The General Commissioners, in spite of the directive, then settled the amounts of the losses at their own hands without any intimation to the Inspector. The first the Revenue knew of it was when they received on March 9, 1959, four certificates for the material years, all dated February 20, 1959. The total had risen from £4,221 (the amount shown by the computations produced at the hearing in November, 1958) to over £34,000.

Their Lordships, upholding Lord Walker, held that the proceedings were competent. They found in favour of the Revenue and quashed the loss certificates on the grounds (1) that the General Commissioners had been in breach of the principles of natural justice and (2) (Lord Sorn dissenting) that there had been disclosed an error in law on the face of the record.

**COURT OF SESSION (Lord Clyde (Lord President), Lord Carmont, Lord Russell and Lord Sorn).**

**Westburn Sugar Refineries Ltd. v. C.I.R. (and cross-appeal).** March 22, 1960.

The company's premises had been extensively damaged by enemy action in 1941 and required to be substantially reinstated. In 1948, a valuation showed that the fixed assets of the company were worth £155,910 in excess of their balance sheet valuation. This item was included in the capital reserve as "surplus on revaluation of fixed assets."

In August, 1949, the company passed a resolution whereby its capital, all of which was issued and fully-paid stock, was increased to £609,000 by the creation of 152,250 new Ordinary £1 shares. On the same date a resolution was passed applying £152,250, being part of the sum standing at the credit of capital reserve, in paying up the new shares and allotting them to the holders of existing Ordinary stock. On July 12, 1950, the company passed special resolutions converting its stock into shares and reducing its capital by £60,900. This reduction was effected by the return of 2s. per share to each shareholder to be satisfied by the transfer of shares in L. Ltd. (a subsidiary).

Their Lordships held (Lord Sorn in part dissenting) that the increment in the value of the fixed assets was not a distributable sum and that its capitalisation followed by the reduction of capital did not bring into operation Section 31 of the Finance Act, 1951.

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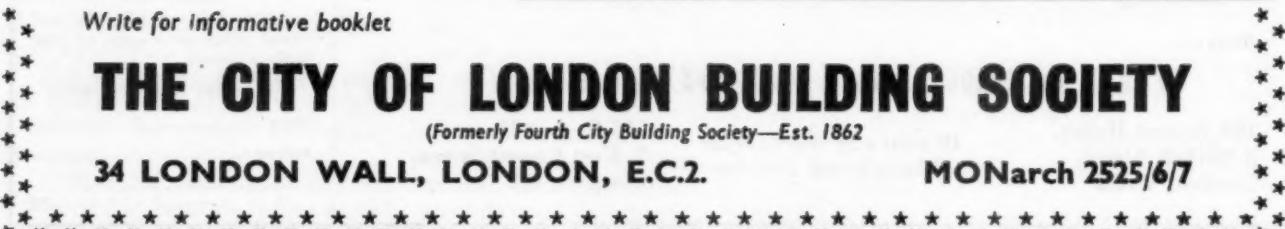
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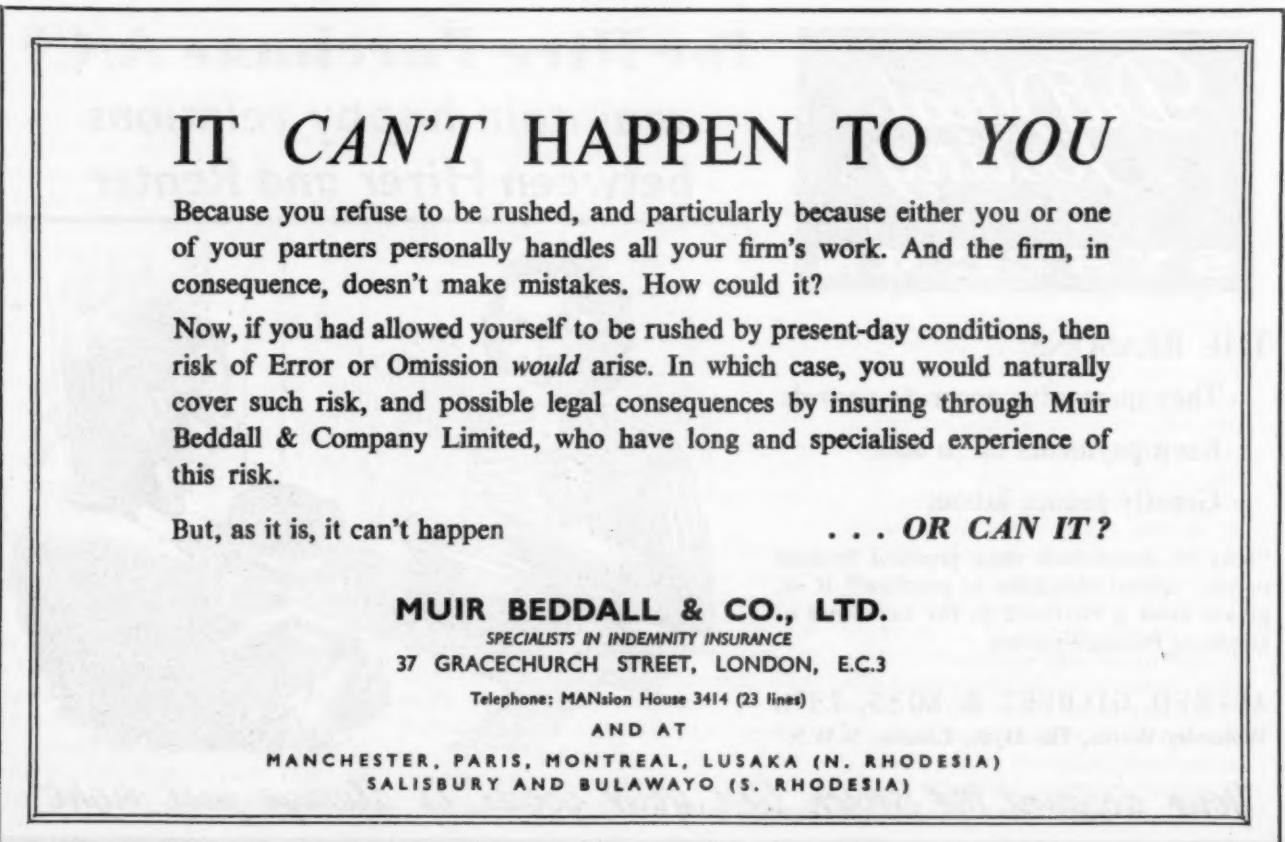
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# The Month in the City

## Credit Restraint

Those who hoped that the opening of the Budget would weaken doubts about the future, and would increase stock market business, proved to be widely astray. True, the increases in taxation were far less than had been expected in some quarters, but the several references in Mr. Amory's speech to the prospect of further credit restraint brought more gloom in the City than any probable rise in taxation would have done. It was the familiar story of doubt being more paralysing than the positive knowledge of adversity. Buyers held off and the steady trickle of selling, which always has to be met, sufficed to drive prices down. In the two business days of Budget day and the day before, there had been a general rise in prices, except in fixed interest stocks other than the Funds, amounting to 10 points in the *Financial Times* index for industrial Ordinary shares. Then came the fear of credit restraint: it hit first fixed interest stocks, and the margin of yield in favour of Old Consols as against equities rose by April 7 to a new high of 1.41 points. Thereafter, there was a sustained fall with only brief interruptions and between April 26 and 28 all sections, other than gold shares, hit low points for the month, the yield margin at one time falling to 0.99 points, and the industrial Ordinary index touching 303.1. The announcement on April 28 of the actual restraints—tighter hire purchase regulations and "special deposits" of 1 per cent. of gross deposits required to be placed by the banks with the Bank of England by June 15—was both preceded and followed by a marked recovery in equities and an appreciable improvement in other sections. The net result on the month from March 31 to April 29 was a series of falls which were much less than those of March in the Funds and gold shares, rather heavier in other fixed interest securities and much heavier in equities. The changes, as reflected in the indices of the *Financial Times* are as follows: Government securities from 82.17 to 81.98; fixed interest from 92.13 to 91.07; industrial Ordinary from 321.2 to 310.6 and gold shares from 70.6 to 70.2, after touching 68.1. The net drop in the yield margin was from 1.29 to 1.07.

## Essex Loan Failure

While last month brought the fruition of a number of small issues and the announcement of some fresh plans, the total amount of money raised—according to the figures of the Midland Bank £30 million—was much less than had been expected. The explanation is easily to be found in the sagging of market prices. The one major issue, the offer of £10 million of 5½ per cent. stock 1975-77 at 98½ by *Essex County Council*, proved a failure, 87 per cent. of the total being left with the underwriters. In the result, the long queue of local authorities awaiting a chance must be further extended. Two small offers call for special mention. The first is that of *Scottish Metropolitan Property*, and it should be noted because the company offered one for one in new 4s. shares at par against a price of 33s. for the old; it is presumed that the great disparity between the old and new prices—which, like the smaller disparity in the offer of *Tube Investments* in March, is an unfortunate feature, since the loss for failing to take up the rights is exaggerated—owes something to the terms of the borrowing powers of the company. The other issue, of 292,800 shares of £1 at 52s. by *Brown Shipley Holdings*, marks a further expansion in both the merchant banking and the investment trust sides of this undertaking.

## Tube Bid for Raleigh

It is probably no accident that credit restraint has coincided with a falling off in the number of takeover bids and lack of success of some of them. The outstanding event last month was an offer for *Raleigh Industries* by *Tube Investments* which is already the leader in the British cycle industry and by the move will still further increase its share in that industry, as well as adding some engineering work. It seems probable that the deal will go through. A further fusion of some interest is that by which the *Bedfordshire Building Society* takes over the *St. Albans Society*, a sensible fusion of neighbouring interests into a sizeable unit. Meanwhile, *Waterlow* has made more than one effort to frustrate the bid of *Purnell*, which has now been extended

to the Preference shares. *Waterlow* had hoped to defeat the attempt by changing voting rights but it appears that *Purnell* already holds sufficient shares to prevent the change. Among a number of other developments, the *Waddington-Valentine* scheme is still hanging fire but will probably go through, while *Charles Roberts* has abandoned negotiations for control of *Birmingham Carriage and Wagon*. The *Parsons/Reyrolle* merger has been abandoned; instead these companies have agreed to run a joint research programme with *Associated Electrical Industries*, which is to acquire an interest in *Parsons* through the sale to it by *Reyrolle* of half the 40 per cent. interest held by *Reyrolle* in *Parsons*, in exchange for a 3½ per cent. share in the A.E.I. equity.

## New Share Indices

An important addition to the information available on stock market price movements is provided by the introduction of a series of new indices by *The Times*. There are eight indices. They will give daily the movements in 150 industrial Ordinary shares; of the same shares split into large and small companies; and, selected from the total, of 43 capital goods shares and an equal number of consumer goods shares. There are also indices of 30 commodity shares, 25 gold mining shares and 40 industrial Preference shares and debentures. The indices have been prepared with the help and advice of Professor M. G. Kendall and will be computed daily by the Computer Centre of the National Cash Register Company. The indices are arithmetic averages: in consequence they have the important characteristic that they will be more volatile in an upward direction but less so in a downward direction than the indices of the *Financial Times*, which are geometric averages. On the other hand, it is apparently not intended to vary the stocks included in the indices (as is done with the *Financial Times* indices), so that while continuity will be rigorously preserved, there will be a tendency for some out-of-datedness to show itself over a period of years. Another point is that the new indices have as their base date July 2, 1959, and that movements since before then are not, therefore, shown. However, apart from the interest in a daily index of so large a number of equities, it is particularly useful to have daily indications of the differences between movements in large and small concerns and between capital and consumer goods for the first time.

## Points From Published Accounts

### Streamlining Their Accounts Like Their Cars

There is nothing fussy about the accounts of *Jaguar Cars*: they are quietly presented with quality and taste. A minor modification has been introduced this year, involving the recasting of the profit and loss account. This account now takes pride of place, following the directors' report, and the parent balance sheet has been transposed so that it is now next to the consolidated balance sheet. The order of layout has become more logical. The presentation of the profit and loss account has been altered to conform with modern practice, which means that

it is now laid out in tabular form. Since the information is now being shown on a single page it has been found necessary to publish details of depreciation, taxation and bank interest separately in a new notes section. Nothing is lost by this arrangement, however, and the modification was well worth making.

### A Full Statistical Section

The accounts of *Associated Electrical Industries* have always ranked amongst the more elaborate of annual company documents. The presentation is impressive, with ample use of colour and illustrations, and a skilful variation in the types of paper employed. There are

fifty pages between the covers, which are semi-stiff and comparatively severe, employing a somewhat enigmatic motif as the background. Inside, three main divisions are discernible—the accounts themselves, a comprehensive review of the year, and a final statistical section.

The statistical section is of particular interest in the pervading context of widening the appreciation of company affairs amongst investors and employees alike. Appropriately enough, the section starts with an analysis of income, followed by a simplified profit and loss account and balance sheet on facing pages. These accounts are well presented in the narrative style, and are a model for other companies thinking of casting their accounts in that form. Then comes a ten-year profit and loss statement, which adheres to a pure presentation of statistics without any attempt at interpretation or analysis. No ratios—for example, income as a percentage of sales, or dividends as a percentage of assets employed—are shown and some

### ASSOCIATED ELECTRICAL INDUSTRIES, LTD.

#### HOW WE FADED DURING 1959

##### Simplified Group Profit and Loss Account for 1959

	£
During the year, we sold goods to the value of	208,438,713
The cost of materials, wages and transport, etc., involved in the making and selling of these goods, was	191,466,104
leaving a balance of earnings	16,972,609
Add income from investments and other sources	2,246,126
	19,398,735

The amounts we had to provide for making good the wear and tear on property and machinery, and other charges, such as interest, were

	£
Depreciation	6,016,621
Other charges	2,284,234
	8,300,855
reducing the balance to	11,097,880
From this we have had to provide for income tax and profits tax	4,608,073
	6,489,807

leaving  
We must deduct a special adjustment arising from the purchase of new subsidiary companies during the year  
And also the proportion of the net profits of certain subsidiary companies which belongs to those, other than AEI Ltd, who own shares in those companies

71,092

400,013

6,089,794

735,897

6,825,691

3,964,802

£2,860,889

And we must add

Amounts provided for taxation in earlier years, not now required

The balance remaining—the profit available to the AEI Stockholders—was  
Of this sum, the net dividends payable for 1959 take

The final balance, which is added to the AEI Ordinary Stockholders investment, and which is used to develop and expand the prosperity of the Group, amounts to

#### HOW WE STOOD AT THE END OF 1959

##### Simplified Group Balance Sheet at 31st December 1959

	£
The money provided by stockholders as capital was	83,759,567
Profits made in past years and retained in the Group for development and expansion amounted to	49,520,910
	133,280,477
The total Stockholders Investment in the Group was therefore	

#### WE OWNED

Factories, machines, tools, vans, and so forth, the cost of which, less the amount provided from earnings to replace them as they wear out, was  
Shares in other concerns, which we valued at  
Materials in the stores, goods partly made, and finished goods not yet sold, worth  
Cash, or the equivalent

59,551,497  
6,345,824  
83,303,312  
11,345,968

#### WE WERE OWED

By our customers for goods supplied, less what we owed to our suppliers, bankers and the Inland Revenue authorities  
By those employees to whom loans had been made to enable them to invest in the AEI Group

8,623,680  
269

169,170,550

#### BUT WE IN TURN OWED

Dividends for 1959, not payable until 1960  
A sum set aside to meet taxation that will be charged later on the profits for 1959  
Money borrowed in 1958, to be repaid by 1978/83  
The share in the AEI Group assets belonging to those, other than AEI Ltd, who own shares in our Subsidiary Companies was worth

2,614,862  
6,682,713  
25,000,000  
1,592,498

35,890,073

When these debts are deducted from what we owned and were owed, this leaves us with the Stockholders Investment as shown above

£133,280,477

people who would disparage the inclusion of too many ratios, or badly chosen ones, will feel that the complete lack is a pity.

The ten-year appropriation statement on the facing page seems largely superfluous. The meat is in the dividend cost,

#### ASSOCIATED ELECTRICAL INDUSTRIES, LTD.

#### TEN-YEAR PROFIT AND LOSS STATEMENT 1950-1959

In Millions of Pounds

	1959	1950
Sales Invoiced ..	208.44	56.86
Excess of Income over Expenditure other than the items set out below ..	16.97	8.44
CHARGES		
Interest on Loan Capital ..	1.50	.13
Depreciation ..	6.02	.82
Sundry Charges ..	.78	.25
	8.30	1.20
	8.67	7.24
MISCELLANEOUS INCOME		
Dividends and Interest from Trade Investments ..	.69	.15
Profit on Sales of Investments and Miscellaneous Assets ..	1.74	.02
	2.43	.17
Net Income before Taxation ..	11.10	7.41
United Kingdom Taxation		
Excess Profits Levy ..	—	—
Profits Tax ..	.98	1.03
Income Tax ..	3.63	2.93
	4.61	3.96
Net Income after Taxation ..	6.49	3.45
Less Amount set aside for Increased Replacement Cost of Fixed Assets ..	—	.95
Balance Available for Distribution ..	6.49	2.50
Add Taxation of Previous Years and Other Adjustments ..	.40	—
Outside Shareholders Interest in net income of subsidiaries ..	—	—
Balance Attributable to AEI Ltd. ..	6.82	2.50
Less Amount retained by Subsidiaries ..	.57	.34
Balance Available for Appropriation by AEI Ltd. ..	6.25	2.16

Here are eight columns with the corresponding figures for 1958-1951 inclusive

and there is no direct relationship between that cost and the profit and loss account. It would be far more effective to break away from this "traditional" assessment of "balance available for appropriation" plus "balance brought forward from previous year," and run the cost of the dividends straight on to the profit and loss account. In other words, the whole of this section would benefit from a more "punchy" approach.

The ten-year balance-sheet statement calls for little comment, and neither do the six graphs showing the past five years at a glance, though, again, they might be considered largely superfluous in view of the detailed figures provided for ten years on the preceding pages. On two pages towards the end are miscellaneous statistics relating to shareholdings and employees: these statistics, which throw more light on these matters than companies are generally willing to provide, are reproduced in full in this issue of ACCOUNTANCY, along with the simplified profit and loss account, the simplified balance sheet, and the three ten-year statements.

#### ASSOCIATED ELECTRICAL INDUSTRIES, LTD.

#### TEN-YEAR APPROPRIATION STATEMENT

In Millions of Pounds

	1959	1950
Balance available for Appropriation ..	6.25	2.16†
Balance brought forward from previous year ..	‡ .42	.48
	6.67	2.64
Less Appropriations:		
Transfers—General Reserve ..	1.50	1.25
—Other Reserves ..	.75	.12
Discount and Issue Expenses written off ..	—	—
Preference Dividends ..	.17	.12
Ordinary Dividends ..	3.80	.66
	6.22	2.15
Balance carried forward ..	.45	.49

†NOTE: After setting aside to Reserve for Increased Replacement Cost of Fixed Assets .. — .95

‡After deducting additional amount of Final Ordinary Dividend for 1958.

#### ASSOCIATED ELECTRICAL INDUSTRIES, LTD.

#### TEN-YEAR BALANCE SHEET STATEMENT 1950-1959

In Millions of Pounds

	1959	1950
<b>Capital and Reserves</b>		
Issued Capital—		
Preference ..	5.79	2.67
Ordinary ..	41.30	6.00
Capital Reserves—		
Share Premium Account	36.67	1.86
Consolidation Reserve	4.80	.73
E.P.T. Post-War Refunds ..	—	1.60
Reserve for Increased Replacement Cost of Fixed Assets ..	—	1.45
Revenue Reserves—		
AEI General Reserve ..	16.25	8.25
AEI Other Reserves ..	1.07	1.93
Balance on AEI Profit and Loss Account ..	.45	.49
AEI proportion of undistributed profits retained Subsidiaries ..	26.95	5.75
Total Capital and Reserves ..	133.28	30.73

Here are eight columns with the corresponding figures for 1958-1951 inclusive

#### THE AEI STOCKHOLDERS INVESTMENT SHOWN ABOVE IS REPRESENTED BY NET ASSETS AS FOLLOWS:

Assets	
Fixed Assets ..	59.55
Investments ..	6.34
Stock and Work-in-Progress ..	83.30
Debtors, Loans, etc. ..	57.97
Cash, Tax Reserve Certificates and Treasury Bills	11.35
Total Assets ..	218.51
Liabilities	
6% Debenture Stock, 1978/83 ..	25.00
Ten-Year Notes, 1954-1959 ..	—
Creditors ..	33.78
Bank Overdrafts ..	6.11
Current Taxation ..	5.70
Provisions ..	6.37
Total Current Liabilities	76.96
Total Net Assets ..	141.55
Less Reserve for Future Taxation ..	6.68
	134.87
Less Minority Interests ..	1.59
Net Assets	
Representing the AEI Stockholders Capital and Reserves ..	133.28

Here are eight columns with the corresponding figures for 1958-1951 inclusive

30.85

.12

30.73

## ASSOCIATED ELECTRICAL INDUSTRIES, LTD.

## STOCKHOLDERS 1950

The Ordinary Stock Capital of Associated Electrical Industries Limited in January 1950, was £6,000,000 held by 10,572 Members.

	HOLDINGS Number	HOLDINGS %	HOLDINGS Overall	HOLDINGS %	AVERAGE HOLDING
Insurance Companies	62	.58	470,499	7.84	£7,589
Investment Trusts	82	.77	193,256	3.22	2,357
Pension Trusts	9	.09	17,650	.29	1,961
Banks and Nominee Companies	277	2.62	577,516	9.63	2,085
Limited Companies and other co-operative investors	98	.93	2,489,207	41.49	25,400
Individual Members	528	4.99	3,748,128	62.47	7,099
	10,044	95.01	2,251,872	37.53	224
Total Holders	10,572	100.00	£6,000,000	100.00	568

## STOCKHOLDERS 1959

The Ordinary Stock Capital of Associated Electrical Industries Limited in December 1959, was £41,303,595 held by 84,433 Members.

	HOLDINGS Number	HOLDINGS %	HOLDINGS Overall	HOLDINGS %	AVERAGE HOLDING
Insurance Companies	334	.40	£7,645,642	18.52	£22,891
Investment Trusts	384	.45	2,030,235	4.91	5,287
Pension Trusts	169	.20	1,243,784	3.01	7,360
Banks and Nominee Companies	3,063	3.63	6,658,025	16.12	2,174
Limited Companies	784	.93	1,475,674	3.57	1,882
Individual Members	4,734	5.61	19,053,360	46.13	4,025
	79,699	94.39	22,250,235	53.87	279
Total Holders	84,433	100.00	£41,303,595	100.00	489

## COMPARATIVE FIGURES 1950-1959

	1950		1959	
	£ Millions	56.86	£ Millions	208.44
Sales Invoiced	£ Millions	7.41	£ Millions	11.09
Trading Profit before Taxation (including Profit on Sales of Investments and Miscellaneous Assets)	£ Millions	3.96	£ Millions	3.87
Taxation	£ Actual	374,201	£ Actual	1,264,426
Weekly Average Salary and Wage Bill	£ Millions	53,985	£ Millions	100,677
Total Number of Employees—(Weekly Average)	£ Millions	30.73	£ Millions	133.28
At 31st December 1959 the total number of employees was 105,136 Stockholders				

Here are eight columns with the corresponding figures for 1951-1958 inclusive

## PAYMENTS AND INVESTMENTS 1950-1959

	£ Millions	£ Millions	£ Millions
Total Taxes paid			58.65
Total Net Dividends paid			20.46
For every £1 earned in 1950 an employee earned £1 16s. 3d. in 1959.			
Gross Capital Investment on Fixed Assets			88.24
Profits reinvested in the business			31.10
Increase in Issued Share Capital (including Share Premium)			69.78

## The Accountant Awards

Our contemporary *The Accountant* continues its good work of improving the standard of published reports and accounts by making an annual award in two categories—for larger companies and for smaller companies. This year the prize in the first category goes to *Vickers Ltd.* and that in the second to *John Harvey & Sons Ltd.*

The report and accounts of *Vickers Ltd.* are a shining example of what might be called the "magazine" type of production—large pages, semi-stiff cover, handsome and well assorted type, plentiful and colourful illustrations. Much of the document consists of "story" and pictures, but there are also two pages of pure statistics, mainly in diagrammatic form. In the middle of the booklet, so arranged that they can be detached from the rest of the review, are the accounts, which are distinguished by being entirely in narrative form, with the group profit and loss account on a page facing the group balance sheet, and by having a great deal of the detail relegated to four pages of notes, nineteen of them in all, some quite long. Possibly the only point at which one could enter a tentative criticism of the accounts is on the number and length of these notes. It may be remarked that turnover figures are given and that there is a statement of the sources and utilisation of liquid funds. Engaged in the production of this attractive document was Holden's Press Bureau.

We commented favourably in our issue of September, 1959, on the ac-

counts of *John Harvey & Sons*, in a note with the heading "Accounts of Bristol Cream Quality." This report was produced in co-operation with *Newman Neame Ltd.*

## Problems of Revaluation

In the revaluation of fixed assets carried out by *The Monotype Corporation*, plant, machinery, fixtures, fittings and furniture owned by the subsidiary companies have been excluded from the valuation. Nevertheless, those items that have been subject to revaluation have sent the book value of fixed assets (excluding leaseholds) up from £685,907 to £1.67 million, the increase being balanced by the appearance of a capital reserve of £965,826.

The thing to note about these figures is that whereas the former book figure for fixed assets was after deducting £951,597 for depreciation, the latest figure is struck after deducting only £238,297. The notes section explains that Inland Revenue rates of depreciation have been used on the written-up values for the current year in place of the commercial rates previously employed. As can be seen from the profit and loss account, however, the overall charge for depreciation remains little changed at £94,061 compared with £91,196.

Since the directors have not seen fit to augment this charge with a supplementary transfer to a reserve for fixed asset replacement, shareholders are inevitably left wondering whether (a) the present charge is sufficient in the light of the greatly increased value of

fixed assets or (b) the charge in previous years was excessive.

## The "Principality" Wins a Cup

In each of the past three years the accounts of *Principality Building Society* have made their appearance with a new cover and detailed improvements in presentation, and it is fitting that this enterprise should have been rewarded during the society's centenary year with the award of the "Sir Harold Bellman" Challenge Cup for the best produced building society accounts for 1959.

The basic format has remained largely unchanged throughout, the compilers using it as a foundation for improvement and embellishment. Thus colour appeared in the headings and for the comparative figures in the 1958 accounts, and now the 100th report appears with a photograph of the chief office, and an extended graphical section giving details of reserves, liquidity and the increase in members over the past seven years. The graph of the growth of assets over the past decade is much improved in appearance and readability.

This constant improvement makes the society a worthy winner of the premier award in its field, for these accounts do much to dispel the prevalent idea that building societies are rather dull institutions. Quite apart from the abundance of ancillary information provided, the layout of the balance sheet itself is worthy of comment, for it is set out in tabular form instead of the more conventional division into "liabilities" on the left and "assets" on the right.



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## Publications

**Accounting for Inflation.** By Lionel A. Wilk. Pp. xi+184. (*Sweet and Maxwell*: 35s. net.)

INFLATION IS AN ill-wind that has blown much good to accounting theory. It has been a severe test for long-accepted principles, and shown them to be less sound than we had supposed. If prices go on rising, almost certainly our methods will have to be changed. Even if prices become stable, the case for change is strong; to quote Mr. Wilk "there is no excuse for ignoring present losses due to inflation and it is an incontrovertible fact that the effect on accounts of moneys which were invested in fixed assets when the pound was more valuable, will be felt for years to come without any further rise in general price levels."

Most studies of the subject approach it *via* the assets—showing how the orthodox treatment of stock and depreciation leads to under-statement of cost in the revenue account, and so to exaggerated profit. Mr. Wilk starts instead with the owners' balances—capital, reserves, and so on. He estimates what these should be at current price-levels; he then transfers a suitable amount from current profit to a "capital maintenance reserve," and so reduces profit to the amount that could be paid out as dividends without reducing real capital. The asset side of the balance sheet remains orthodox. His technique ensures not merely that the current year's profit is restricted to the correct figure, but also (a more difficult result to achieve) that the carry-forward from earlier years is adjusted to the right size in current pounds.

The technique has yet another result. It automatically assesses the loss due to holding money (or the gain from owing it) while prices rise, and alters profit by this amount. Thus, if a firm adopted Mr. Wilk's methods, it would show no profit until it had made good every kind of capital erosion due to inflation.

Mr. Wilk's proposals are obviously sweeping and courageous. Critics who admire his vigour and share his aims may however point to defects in the approach. It slurs over the major distinction between stocks and money-assets; "inventory profit" is a mere matter of book-keeping method, whereas the loss from holding money is real and surely deserves separate statement. Mr. Wilk's division between "capital assets" and "revenue assets" is artificial (as he

admits), and is probably not necessary for the arithmetic. And is not the case for revaluing assets somewhat stronger than is here suggested?

The book does not make light reading. To some extent, the difficulty of the subject is to blame; but the matter is very condensed (for example, the illustrative arithmetic seems to call for more explanation), and sometimes the wording is apt to puzzle. Thus the phrase "purchasing power loss" is again and again used, not merely for money-assets (for which it is suitable) but also for capital invested in non-money assets (which do not necessarily lose purchasing power during inflation); "appreciation in terms of money" would perhaps be clearer than "loss."

Mr. Wilk wrote his book while holding one of the first fellowships conferred by the P. D. Leake Trust. It is most satisfactory that these new awards should already have resulted in stimulating work in book form. We must hope that the appearance of this book will spur other research-minded accountants to seek to make use of such generous facilities.

W.T.B.

**Stevens' Elements of Mercantile Law.** (Thirteenth edition.) By John Montgomerie. Pp. lxiv+606+Index 72. (*Butterworth*: 21s. net.)

SEVERAL IMPORTANT STATUTES in the field of mercantile law have been enacted since the last edition of this book—notably the Copyright Act, 1956, the Cheques Act, 1957, and, probably more far-reaching than any, the Restrictive Trade Practices Act, 1956. Nearly all noteworthy changes are summarised in the concise way that is such an admirable feature of the work. A chapter has been added on monopolies and restrictive practices. The additions resulting from the treatment of the new cases and legislation have led the editor with the aim of keeping down the price of the book to jettison two chapters of the previous edition—those on company law and stock exchange transactions. In the reviewer's opinion, the omissions are made wisely, bearing in mind the importance to students (and this is primarily a students' book) of a moderate price. Company law requires a book to itself, even for an elementary exposition, so that the absence of the chapter on this subject is really no loss. At first blush, however, the omission of the stock exchange material seemed regrettable, especially in view of the recent increase of public interest in everything con-

nected with the stock market. However, much of what was dealt with in the chapter in the previous edition was somewhat recondite and the reviewer's second thoughts are that the omission of this material is also justified.

Though first and foremost a treatise for students, *Stevens'* should be very useful for quick reference by accountants. A matter frequently requiring thought, often at an appeal hearing before Commissioners, is the construction of contracts, and Chapter X is worth reading carefully as a handy and succinct introduction to this topic.

There are bound to be some omissions in a work which casts its net so widely, but it is felt that *Gourley's* case and its later developments should have been mentioned, as few recent cases have had such extensive practical repercussions.

There are a few trivial errors, such as the reference to a non-existent page of Section 39 of the Stamp Act, 1891, in the table of cases (802 instead of 302) and an erroneous footnote reference on page 63. It is very difficult to avoid such minor blemishes and the book remains in its new edition compact, accurate and remarkably comprehensive, at the same time avoiding "indigestibility."

J.L.M.

**Standard Costing.** By J. Batty. Pp. xii+328. (*Macdonald & Evans*: 25s. net.)

THIS EXCELLENT BOOK will satisfy a long-standing want of students. There are very few books that go into the detail of standard costing; many are content to gloss over the subject in general terms. With its many examples *Batty* gives the student an insight into how the system is intended to work. And the author has happily written a book which is pleasing to read and easy to understand. It will handsomely repay close study by students of cost accounting.

In his preface the author indicates that he wrote primarily for students but sought to cope also with the needs of qualified cost accountants. In doing so, he was tackling an almost impossible task, although he has come near to accomplishing it. Not that the cost accountant will fail to derive great benefit from the book but he should be warned that it does not delve deeply enough into the mechanics of standard costing to help in the installation and maintenance of a standard costing system. If such detailed and practical guidance had been given, much of the book would have become too involved for students, upon whose requirements the author was right to concentrate.

Flexible budgets is probably the branch of the subject that gives students the most difficulty but it is so well dealt with that for the reviewer the chapter on it was the highlight of the book.

Allowing the limitation that it sets out to do too much, this is a book which is unreservedly recommended to students of cost accounting. Some cost accountants who do not operate a standard costing system may well be convinced by the exposition of the advantages of the system and thus be led to take steps towards better control in their businesses.

E.G.H.

**Accounting Systems of Smaller Authorities.** By the Research Committee of the Institute of Municipal Treasurers and Accountants. Pp. 111. (*Institute of Municipal Treasurers and Accountants*: 25s. net.)

THIS BOOK APPEARS in a series of research studies into practical problems of local government finance promoted by the Research Committee of the Institute of Municipal Treasurers and Accountants.

Separate chapters are devoted to the systems of keeping personal accounts, impersonal accounts, loan and capital accounts, and final accounts, in authorities whose populations do not exceed 40,000. Coding systems, simple machines and devices, and mechanical accounting systems are examined.

In discussing rating accounts, the authors think that the duplicate demand note system, in which the duplicates form the ratepayers' personal accounts, ought to be more popular, as the tear-off stub readily throws up the unpaid accounts. The system saves labour on preparing the rate-book and by using carbon copies eliminates the possibility of errors.

There are numerous recommendations and suggestions on the preparation of pay-roll, stores accounting, oncosts, and expenditure analysis, and a useful form of analysis ledger is suggested. In considering these suggestions it must be borne in mind that the review is confined to the problems touching the smaller authorities only.

A useful appendix sets out the main statutory requirements affecting the accounts of local authorities.

W.S.E.

**Balance Sheet for Take-overs.** By Anthony Vice. Hobart Paper 3. Pp. 36. (*Barrie and Rockliff*: 3s. 6d. net.)

A SUBJECT WHICH has generated over recent years some very divergent opin-

ions and a great deal of heat is here treated in a thoroughly objective manner. The author sets out to show that bids have always been made since business started and that the reasons for the post-war vehemence and for much of the fuss lay in the dislocations of the free economy occasioned by the war and the post-war controls.

He goes on to state the cases for and against bids, with special reference to the criticisms of them advanced by the City of London, and then describes in detail four principal instances—Sears, Great Universal Stores, House of Fraser and the British Aluminium tussle. The first three, which it will be noted are all concerned with consumption goods, have, the author believes, a sufficient history since the fusions to dispose of the idea that bidders "gut" their purchases, but his "sample" is very small and hardly representative.

The penultimate section explores and adopts the thesis that while bids are good the manner of their execution may not be so, indicating where the fault should be sought and remedied. Mr. Vice also suggests that shareholders have suffered more from the "cosy" deal arranged between Boards than from takeover marauders. Institutional investors can take care of themselves but lack of sophistication among other shareholders is at the root of the trouble. More information and advice is the need. The author advances the possibility of the formation, despite disappointing experience in the past, of a shareholders' protection association.

Conclusions drawn from the study are that the acquisition of one concern by another performs a useful function in a free economy and that the operations of bidders should not be "strangled by a growing web of ill-conceived, politically-inspired restrictions."

F.W.F.

**The Elements of Income Tax Law.** By C. N. Beattie, LL.B., Barrister-at-Law. Fourth edition. Pp. xxviii+221. (*Stevens & Sons, Ltd.*: 30s. 0d. net.)

STUDENTS PREPARING FOR the solicitors' final examination are the audience at whom this excellent book is mainly directed. It covers with exemplary clarity, neatness and skill a wide range of tax topics likely to be encountered by the student when he enters into general practice as a solicitor. It deals primarily with the legal foundation on which tax practice rests, rather than with bases of assessment, capital allowances and the adjustment of accounts, but to

say as much is not to deny its usefulness to the accountant who, like the lawyer, has the task of applying general principles to a particular situation. In the present edition parts of the book have been re-written to relieve a slight lack of balance through the grafting of additions on to the original text: a general improvement has resulted.

To protest that the new edition might with advantage have been delayed until the present Finance Bill becomes law is to be wise after the event; but it is ironic that the changes now proposed are so many, and in places of so sweeping a character, that it will be necessary for the reader of the book to refer rather frequently to the new legislation itself when enacted—especially, perhaps, in so far as it applies to Chapter IV, on the profits of a trade, profession or vocation. Some of the decisions in the text, such as *British Mexican Petroleum Co. v. Jackson* (page 60) and *Carson v. Cheyney's Executor* (page 127) will be nullified by the new Act, while pages 206-7 must be read subject to Part III of the Bill which, in the light of the decision in *C.I.R. v. Hinchy* (1960) 2 W.L.R. 448, makes major changes in the law relating to penalties. There are also the changes in personal reliefs and the new provisions relating to tax avoidance with securities.

There can be no doubt about the high calibre of the new book, which states the law as at January 1, 1960, and it will repay reading by the practitioner before referring to larger works, but at 30s. it seems a trifle dear.

K.B.E.

**The Income of Nations—Theory, Measurement and Analysis: Past and Present.** By Paul Studenski. Pp. xxii+554. (*New York University Press, Washington Square, New York*: \$25 net.)

SOME TWENTY-FIVE years (with interruptions) in the making, this massive work can be read straight through to about the half-way point, but beyond that it is mainly for reference. In the first half, the Professor Emeritus of Economics at New York University gives us a history of national income concepts and measures, followed by a discussion of the theory and methodology. In the second half, the estimates of thirteen countries (not all of them "advanced") are considered in detail and then developments in sixty-three other countries are gone over more summarily. A statistical appendix sets out the national income aggregates of eighty-seven countries in the years 1950-55.

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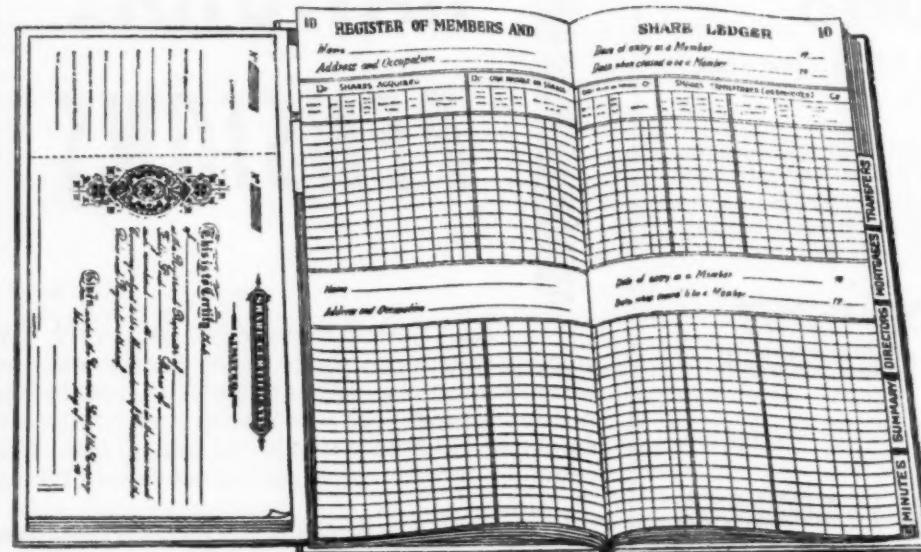
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While *Studenski* will no doubt be used mainly by specialists, readers with little economics and statistics can derive much from him, for he writes in as easy a style as any encyclopaedist and does not go deeply into the esoterics of his subject (for example, the treatment of welfare economics would be regarded by professional economists as cursory, and some of the recent statistical controversies are treated lightly or not at all). There are some fascinating tit-bits to be found—the three lost eighteenth century Russian estimates of the national income, for instance.

One "index" of comparative progress in national income work that seems to have the authors' cachet is movement from a mere output measure, to one of output-cum-income, to one of output-cum-income-cum expenditure. He also applauds the further move to a social accounting setting.

A monolithic work.

E.N.H.

**The Economics of Money.** By A. C. L. Day. Pp. vii+248. Home University Library. (Oxford University Press, London: 7s. 6d. net in United Kingdom.)  
**A Textbook of Money.** By S. Korteweg and F. A. G. Keesing. Pp. xx+308. (Longmans: 35s. net.)

MR. DAY'S BOOK is a succinct survey of money in practice, unfortunately timed, because he missed the Radcliffe report, but surprisingly complete for so small a book. It gives us a description of the financial institutions and a lucid account of the working of the monetary machine, both internally and internationally. The sections on foreign trade are particularly strong, even though in them the pressure of events has left the author some long way behind. The approach is the fashionable one *via* income and output, but it was hardly necessary to sacrifice entirely, as Mr. Day has done, almost all the more traditional monetary theory: "velocity of circulation," for example, is completely neglected.

The larger book is a translation from the Dutch. The authors have revised the work since it first appeared in 1945, but basically it dates back to then. In consequence there is an over-emphasis upon war and immediate post-war conditions and some comparative neglect of recent international developments. It is useful for the student of money to be given the European examples he will find here, for they are not easily come by elsewhere. The fundamental theory is set out clearly and in straightforward fashion, but the Keynesian and neo-Keynesian theorists hardly receive the space they demand.

A.P.N.

**The Divided Lady.** By Bruce Marshall. Pp. 192. (Collins: 15s. net.)

MR. BRUCE MARSHALL can do much better than this—has done so in many novels. His story is confused and confusing; it is all very well to have characters who are crazy and mixed-up if to try to follow their meanderings (physical and other) does not make the reader share these idiosyncrasies. An accountant is sent to Rome to look into the misappropriation of 150 million lire, but to do the job he hardly needs qualifications of the kind Mr. Marshall had when he was a Scottish C.A. For the assignment develops mainly into dividing time between two ladies, one of whom is the divided one ("Io sono una donna divisa. I am a divided lady. That is how we say in Italian a lady who no longer lives with her husband"—Italian and French is liberally sprinkled throughout). The accountant has all the concentration of purpose necessary to that part of his mission.

It is a pity that good touches of humour and crisply-written sentences should be lost in the private catacombs of Mr. Marshall's Rome. A pity also that not all the digs are as sly as he no doubt considers them to be ("At long last I was among the great. Partners in Price, Waterhouse were small beer").

L.T.L.

**The Trade Cycle.** By R. C. O. Matthews. Pp. xv+300. (Nisbet and Cambridge University Press: 12s. 6d. net.)

NOT LONG AGO cyclical fluctuations in economic activity were regarded as an unavoidable affliction to which all modern societies were subject. These movements were of particular significance in the capital goods industries.

Particularly between the wars, the aspect of cyclical fluctuations which was most in the public eye was unemployment, with all its political and social consequences. It was given much careful study, out of which has come the policy of full employment which today most Western nations follow. As a result of this policy, even if unemployment due to trade fluctuations has not been altogether eliminated, it has been much reduced and the misery it entails greatly mitigated. This result has come about, partly at least, by using control over spending, so that demand for goods and services matches more closely the available supply; the exercise of this form of control has been demonstrated during the recent credit squeeze, which has not been without success. Nevertheless, control is far from absolute; economic

fluctuations still occur.

This book studies such fluctuations and is, therefore, of considerable interest to accountants in their role of financial advisers. In present-day conditions of a partly controlled, partly free, economy, it is particularly important that the extent to which cyclical fluctuations are likely to occur, and can be controlled, should be understood.

A measure of control can be exercised by the State over government expenditure and, to some extent, over private consumption, but private capital investment cannot so easily be regulated. Thus the investment programmes of the nationalised industries are capable of control by fairly direct means which cannot be applied to capital expenditure in the private sector of the economy. For this reason, unless techniques improve, an even rate of economic development is unlikely. Some control over private investment would possibly be regarded as desirable by the capital goods industries themselves—for example, civil engineering construction and machine tools—since an even rate of production is better than "hangers and bursts."

This volume, the latest of the *Cambridge Economic Handbooks*, thus deals with what is still a fundamental aspect of our economic system. It maintains the high standard set by its predecessors.

R.G.

**Cutforth's Audits.** Eleventh edition, revised by Alfred Palmer, F.C.A., and J. C. Crawford, B.COM., C.A. Pp. xi+324. (Gee: 17s. 6d. net)

THE LATEST EDITION of this book will be mainly of value to students requiring a general introduction to the subject rather than to the reader needing a comprehensive book on auditing, for whom it lacks sufficient detail. It is compact, and written in a straightforward style.

The first seven chapters are devoted to a brief but excellent outline of general audit procedures. Certain omissions are, however, noticeable—in dealing with frauds examples such as "teeming and lading" could usefully have been given, for even if the student is unlikely to find such frauds in practice, he should know about them and, in particular, be prepared to write on them in the examination room.

A possible weakness in this otherwise excellent book is its lack of balance. The whole subject of depreciation has been dealt with briefly. Efforts have been made to distinguish the legal and accountancy viewpoints, but the value of

the book would have been enhanced if there had been discussion of such controversial matters as whether historical or replacement values should be adopted. Again, whilst over sixty pages are devoted to verbatim extracts of the provisions of the Companies Act, 1948, relating particularly to accountancy and auditing matters, which in itself will be of considerable assistance to students, only a page and a half is devoted to the problem of divisible profits and dividends. Such an important topic as the auditor's liability to third parties is not considered.

A fair part of the book is taken up with a large range of representative examination questions, with suggested solutions. The questions have been chosen carefully, and will give the examinee practice in answering typical questions. While one may regret that, as things are at present ordered, students for the most part are obliged to concentrate on what will enable them to pass their examinations, with the result that their education is narrowed, nevertheless this book, designed as a student's examination book, should be given a welcome and a recommendation, for the authors have unquestionably achieved their purpose.

R.P.

**Managerial Accounting: An Introduction.**  
By Harold Bierman, Jr. Pp. x+483.  
(*The Macmillan Company*, New York:  
45s. 6d. net.)

THOSE WHO READ American accounting texts are becoming increasingly familiar with books of this kind. *Bierman* provides in one cover (a) a solid introduction to general accounting, covering the main features of the double-entry system and the elements of company—in American “corporation”—accounts; and (b) a practical course in management accounting with remarkably wide coverage. It does not devote much space to the detail of accounting systems: it is designed rather for the man who wants to know what figures can be provided and how they can be presented and interpreted, rather than with the problems of organising the data flow. It contains an ample supply of questions and problems.

The book shows the usual American competence in technical matters. The general (or financial) accounting section (which is introduced, as usual, *via* the balance sheet) does not call for special comment. Part II, on management or “managerial” accounting (pages 251–470), demands special mention for the way in which it includes, along with the

standard contents of a modern costing course, chapters on budgeting, inventory control, costs in relation to decision-making (with special reference to the concept of opportunity cost), break-even calculations, the presentation of reports, capital budgeting (the compound interest basis for which has been laid in Part I) and problems of accounting in relation to changing price levels. It would be hard to find a British accounting work in which such a comprehensive teaching job is done so well.

It must be made clear that the book is a “beginning course”: though the coverage is wide it is not particularly deep. But, bearing in mind the purpose, the author must be commended. The student laying the book down after studying it will be far better equipped for business—whether he is to be an accountant or not—than when he began, and will have been warned of some of the traps into which accountants are particularly prone to fall: excessive love of accuracy, such as holding up the presentation of figures until they are right to a penny but useless for management purposes, and the like.

In such a work it would no doubt be unreasonable to expect much space to be devoted to a serious critical examination of the concepts and procedures of accounting. The author shows a satisfactory absence of dogmatism in his approach and does not hesitate to say that the “right” method is a matter of opinion. Nevertheless, it is a pity that more emphasis has not been put on such fundamental problems as the usefulness of “cost” as a basis for “valuation”. One cannot regard the book as a critical scientific work of the first or second rank; but at a technical teaching level it is good.

H.C.E.

## Books Received

**Accounting Methods**, pp. 80; **Financial Planning and Control**, pp. 78; **The Accountant and Pricing Policy**, pp. 54; **Accounting and Auditing Standards**, pp. 84. Papers given at the Asian and Pacific Accounting Convention, Melbourne (April, 1960), sponsored by the Institute of Chartered Accountants in Australia and the Australian Society of Accountants (with which is affiliated the Australasian Institute of Cost Accountants).

**A Conspectus of Management Courses**. Fourth Edition of *Education and Training in the Field of Management*. A British Institute of Management publication. Pp. viii+287. (Pitman: 45s. net.)

**Report of 1959 Conference**. Pp. 294. (*Canadian Tax Foundation*, 154 University Avenue, Toronto, 1, Canada: \$3, post free.) **Capital Finance of Local and Public Authorities**. Week-end Conference, Cambridge, September, 1959. Pp. 127. (*Institute of Municipal Treasurers and Accountants*: 15s. post free.)

**Computers in Purchasing and Stores Departments**. Papers read to the course on “The Application of Computers to Purchasing and Stores Departments,” January, 1960. Pp. 58. (*Purchasing Officers' Association*: 7s. 6d. net.)

**Group Accounts**. By D. J. Bogie, T.D., B.COM., PH.D., C.A. Second edition. Pp. xiv+327. (*Jordan*: 63s. net.)

[This edition is substantially the same as the first. See ACCOUNTANCY for April, 1950, page 137.]

**Electronic Computers: Principles and Applications**. By T. E. Ivall. Second edition. Pp. viii+263. (*Published for Wireless World by Iliffe*: 25s. net.)

**The Estate Duty Act**. By D. H. Nanavati, B.A., LL.B. Pp. xxix+430. (*Tripathi*, Bombay. Stocked and distributed in the United Kingdom and Europe by Sweet & Maxwell: 50s. net.)

**A Manual of Foreign Exchange**. By H. E. Evitt. Fifth Edition. Pp. viii+260. (Pitman: 21s. net.)

**The Older Director—His Limitations and Advantages**. Pp. 30. (*Institute of Directors*: 2s. net.)

**Sheep On The Arable Farm**. A study of sheep production and profits in the Eastern Counties. By P. G. James. Farm Economics Branch Report No. 49. (*University of Cambridge School of Agriculture*: 3s. 6d. post free.)

At the last luncheon meeting of the 1959/60 session held by the Dublin Society of Chartered Accountants, Mr. W. L. McClelland, A.C.A., commercial manager of Dunlop Footwear Ltd. in England, addressed the members on “Information for Management.” Mr. John Love, F.C.A., Chairman of the Society, in introducing him, said that he was doubly welcome in that he was a member of the Irish Institute.

Mr. McClelland said that each level of management required sufficient information to judge the performance of the strata of management immediately below, and needed it in time to make corrective action effective. A high degree of confidence and understanding between works accounting staff and production staff was essential: this implied day-to-day contact and exchange of information as it arose as well as provision of routine reports. All reports should be as brief and simple as possible.

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## Letters to the Editor

### Accountancy

Sir,—May I please inform you that we find the monthly issues of ACCOUNTANCY most advantageous to us in this office. There is so much to read these days it is found that the weekly professional papers are apt to become indigestible.

I would like to make one suggestion if I may, please: that there should also be published, in the article "Points from Published Accounts," copies of the accounts to which reference is made, for a visual presentation would be complementary to the writing matter therein.

Yours faithfully,  
RONALD WARLOW, T.D., F.C.A.  
London, W.1.

*Mr. Warlow's letter naturally gave us pleasure. It was received before we went to press with our April issue, but publication had, we regret, to be held over owing to pressure upon space. In the April issue we had, however, given effect to Mr. Warlow's suggestion by reproducing a large part of the accounts of Blundell, Spence & Co. Ltd., and in the present issue we are similarly reproducing extensively from the accounts of Associated Electrical Industries. We propose in future, subject to space being available, to include in our feature "Points from Published Accounts" reproductions from recent reports and accounts. — Editor, ACCOUNTANCY.*

### Electronic Poser for Pythagoras

Sir,—I thought that the translation of Pythagoras into a computer programming instruction on page 207 of your April issue was a most useful demonstration of the way in which a computer works, as well as being amusing.

With your permission, I propose to use it for teaching purposes.

Yours faithfully,  
HAROLD EDEY, B.COM., A.C.A.,  
Reader in Accounting,  
University of London.  
London, W.C.2.

### Annual Meeting of Institute

Sir,—It is surely axiomatic that the annual meeting of the Institute should be representative of its membership, but this year's meeting was fixed for the rather inconvenient time, at least for employed members, of 2 p.m. on Wednesday, May 4. At January 1, 1960, of a total membership of 32,579, no less than 18,578 were resident, but not practising, in England or Wales, and are probably almost wholly employed members. It is quite apparent that in normal circumstances one very large section of the mem-

bership is virtually precluded from being properly represented by reason of the selection of a mid-week working day for the annual meeting. Clearly there are other sections of the Institute who are almost wholly prevented from attending for this reason—for example, the sole practitioners.

It may be of interest to readers to observe that the Irish Institute held its annual meeting on the very un-Irish day of *Saturday*, May 7, 1960.

Yours faithfully,  
ACA-DEMOS  
(*Pseudonym of a member of the Institute*)  
London, N.W.10.

### Depreciation and the Economists

Sir,—Can accountants and economists ever come to terms on the question of depreciation, as long as the latter continue to proceed from assumptions which are totally unrelated to reality?

Take Mr. Fielden's letter in your April issue. Discussing depreciation as the discounted value of future earnings, he makes

the point that the earnings in question must be before depreciation, otherwise there would be "double counting of the cost of capital." Let us examine this with the aid of a simple example.

I can place £100 on deposit with a financial institution, and earn interest of, say, £5 per annum. My capital does not experience any change, upwards or downwards. If I buy a machine for £100, in order to save expenditure (which is the same as earning income in this case), then I must include a depreciation of the machine in my expense charge, because the machine will experience a change, normally a loss of value, or capital. Accountants say we must provide for the replacement of the capital, or at least, for the effect of the loss of capital, before we begin to measure earnings (profit). Economists do not seem to care two hoots about maintaining capital, or, at least, measuring its loss.

Personally, I am coming more and more to the opinion that the accountant's approach to depreciation is quite indefensible, and should be replaced by the businessman's. He expects to recover his capital expenditure in a fairly short period of time, often as little as two or three years, and his intentions are the valid yardstick for measuring his performances.

Yours truly,  
KENNETH S. MOST, LL.B., F.C.A.  
London, W.1.

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## Legal Notes

### Company Law—

#### Compulsory Purchase of Minority Shareholding

Where a scheme or contract for the transfer of shares or a class of shares in a company to a transferee company has been approved by the holders of at least nine-tenths of the shares in question, Section 209(1) of the Companies Act, 1948, empowers the transferee company to give notice to any dissenting shareholder that it wants to acquire his shares. Thereupon, unless upon an application made by the dissenting shareholder the court thinks fit to order otherwise, the transferee company becomes entitled and bound to acquire the shares upon the terms approved by the majority shareholders.

Where the nine-tenths majority are unconnected with the offer made by the transferee company and are only concerned to see that they get a fair price for their shares, there is a heavy onus on the dissenting applicant to prove to the court that the offer is not one which he ought reasonably to be compelled to accept, for the court is accustomed to pay the greatest attention to what commercial people who are concerned with the transaction in fact decide. But in *In re Bugle Press Ltd. In re Houses and Estates, Ltd.* [1960] 2 W.L.R. 658 (briefly reported and discussed in our last issue, pages 201-2) the transferee company was a new company with only two shareholders, who were in fact the holders of nine-tenths of the shares in Bugle Press Ltd. Buckley, J., held that, although in law a company and its shareholders are separate persons, he must have regard to the substance of the matter and it was incumbent on the transferee company to prove that the offer was reasonable. On the evidence before him he was not satisfied that the offer was reasonable. Although the offer was based on a valuation obtained by the transferee company from a firm of accountants, the transferee company had not filed evidence supporting the valuation, so that the dissenting shareholder had not been able to cross-examine, nor did the court know on what instructions and information the valuation was made. His Lordship therefore made a declaration that the transferee company was not entitled to acquire the shares of the dissenting shareholder.

### Contract and Tort—

#### Effect of Pension on Damages for Personal Injuries

A local government officer, J., was knocked down and received injuries which made him incapable of ever working again; the question was whether in the assessment of his damages the Court ought to take into account and set off against his loss of wages the pension which he would draw from the date of the accident until his normal retiring age.

In *Judd v. Hammersmith, West London and St. Mark's Hospitals Board* [1960] 1 W.L.R. 328, Finnemore, J., said that the plaintiff had become entitled to the pension by reason of the contributions he had made during his service with the council. There was no reason why a wrongdoer should be entitled to appropriate the benefit of a pension for which the plaintiff had paid and it made no difference that the payments had been compulsory. The pension should not, therefore, be taken into account in the assessment of damages.

### Contract and Tort—

#### Damages for Breach of Contract to Sell Land

In *Diamond v. Campbell-Jones* [1960] 2 W.L.R. 568, the defendant had wrongfully repudiated a contract to sell to the plaintiff a leasehold house in Mayfair and the question arose whether the proper measure of damage was the profit which the plaintiff would have made by the conversion of the house into maisonettes and offices or whether he was entitled only to recover the difference between the sale price and the market value of the property at the date of the breach of contract.

Buckley, J., said that special circumstances were necessary to justify imputing to a vendor of land a knowledge that the purchaser intended to use it in any particular manner; in this case neither the fact that the property was ripe for conversion nor the fact that everyone recognised the fact was sufficient to impute to the vendor knowledge that the purchaser was a person whose business it was to carry out such conversions or that he intended or was ever likely to convert the house himself for profit. Accordingly, the plaintiff was only entitled to recover the ordinary measure of damage, namely, the difference between the sale price and the market value.

A further point for decision was whether, under the rule in *British Transport Commission v. Gourley* (1956, A.C. 185) the amount of damages

should be reduced because in the plaintiff's hands the profit represented by damages would have attracted income tax. His Lordship said that in *Gourley's* case it was conceded that no part of the sum awarded as damages would be subject to tax, but in his view any damages recovered by the plaintiff in the present case were liable to attract tax as part of the profits or gains of his business. Accordingly, no deduction should be made by the Court in respect of the tax element in the damages.

### Miscellaneous—

#### Division of Wedding Presents

When unhappy differences arise between husband and wife, these sometimes produce a dispute over the division of the wedding presents. In *Samson v. Samson* [1960] 1 W.L.R. 190, the wife contended that there was a *prima facie* presumption of law that wedding presents ought to be regarded as gifts jointly to the spouses. The Court of Appeal held that there was no such presumption; where there was evidence of intention on the part of the donor, wedding presents might well be found to have been given either to one spouse or to the other or to both, but, where no intention was clear, the Court was entitled to draw the inference that presents, whether in money or in kind, originating from one side of the family were intended for the husband and those from the other side were intended for the wife. It was also possible that property which was given at the time of the wedding to one spouse or the other might become joint property by the subsequent conduct of the parties.

This principle may be of some importance when one spouse dies and the question arises whether certain assets form part of his or her estate.

### Miscellaneous—

#### Award Defining Trading Areas of Co-operative Societies

Two co-operative societies trading in Scotland had a dispute about alleged overlapping by one into the trading area of the other. In accordance with the rules of the union to which they both belonged they referred the dispute to arbitrators, who awarded that the Dalziel Co-operative Society should not trade in a certain area. Dalziel refused to comply with the award and withdrew from the union as it was entitled under the rules to do. However, the rules also provided that the award of the arbitrators should be final and binding and in *Bellshill and Mossend Co-operative Society Ltd. v. Dalziel Co-operative*

**Society Ltd.** [1960] 2 W.L.R. 580, the question before the House of Lords was whether the award continued to be binding on Dalziel after it had left the union. The House unanimously held that Dalziel was not so bound. In the words of Lord Reid, "the respondents' only agreement was its agreement as a member of the union to be bound by the rules of the union, and it would only be by virtue of the rules that the respondents would still be bound by the award made against them while they were members. The rules ceased to bind the

respondents when they withdrew and it would, in my opinion, at least require some very clear provision in the rules to render an award made under the rules effective after the rules themselves had ceased to be binding. I can find no such provision."

The House disapproved a decision to the opposite effect in the English case of **Birtley and District Co-operative Society v. Windy Nook and District Co-operative Society** [1959] 2 W.L.R. 415, for which see ACCOUNTANCY for April, 1959 (page 223).

deviation from the main principles of this scheme," the investment clause could be enlarged, as the manner in which funds could be invested was not one of the main principles of a charitable trust.

*In re Jewish Orphanage Charity Endowments Trusts.* (1 W.L.R. 344.)

#### Charterparty

"Time for loading and discharging" in strike clause meant time allowed, not time taken, the clause being designed to cut out time lost by reason of the excepted causes.

*Union of India v. Compania Naviera Aeolus S.A.* (1 W.L.R. 297.)

#### Company

Declaration under Section 209 of Companies Act, 1948 sought by minority shareholders that majority not entitled to acquire shares of the minority by means of company formed for this purpose, when minority had refused an offer for their shares on ground that it was inadequate. Held that onus of showing that price offered was fair lay on the transferee company and onus had not been discharged.

*In re Bugle Press Ltd. In re Houses & Estates Ltd.* (2 W.L.R. 658.) (See ACCOUNTANCY for April, 1960, pages 201-2, and a Legal Note in this issue.)

#### Conflict of Laws

*Quaere* whether Danish law or *lex situs* is to be applied by English law as regards immovable property situated outside Danish territory in devolution by will.

*Callwood v. Callwood.* (2 W.L.R. 705.)

#### Contract

"In any circumstances" in exceptions clause in tenancy agreement held wide enough to protect landlord from liability for his admitted negligence.

*Akerib v. Booth and Others Ltd.* (1 W.L.R. 454.)

Meaning of "subject to *force majeure* and shipment" in contract for the sale of goods.

*Hong Guan & Co. Ltd. v. R. Jumabhoy & Sons Ltd.* (T.N. April 5.)

The ordinary rules of construction apply to estate agents' contracts.

*Ackroyd & Sons v. Hasan.* (T.N. April 13.)

#### Highway

Even where the highway authority had carried out drainage work, failure to provide adequate drainage by not doing sufficient work was nonfeasance for which the authority was not liable. It would be otherwise if work had been done negligently or had created a new danger.

*Burton v. West Suffolk County Council.* (2 W.L.R. 745.)

#### Mortgage

There was nothing to prevent a mortgagee who had appointed a receiver from creating relationship of landlord and tenant between himself and mortgagor's tenant without previously terminating the receivership.

*Stroud Building Society v. Delamont.* (1 W.L.R. 431.)

#### Rating

Golf clubs held not in rateable occupation of common land in New Forest.

*Peak v. Burley Golf Club. Harding v. Bramshaw Golf Club Ltd.* (T.N. April 1.)

Research establishment not entitled to benefit of de-rating since not an "industrial hereditament."

*Harry Ferguson Research Ltd. v. Dawkins.* (T.N. April 12.)

#### Restrictive Practices

Restrictions held to be contrary to public interest.

*In re Phenol Producers Agreement.* (1 W.L.R. 464.) (See a Professional Note in this issue of ACCOUNTANCY.)

## An Accountant's Guide to Recent Law

### ACTS OF PARLIAMENT

**Sea Fish Industry Act, 1959.** Increasing the grants made under Acts of 1953 and 1957 and authorising measures for increase or improvement of marine resources.

**Consolidated Fund Act, 1960.** Applying sums to the service of the years 1960 and 1961.

**Distress for Rates Act, 1960.** Consolidating, with amendments, enactments relating to the recovery of rates.

**European Free Trade Association Act, 1960.** Providing for matters arising out of the establishment of E.F.T.A. as regards agreements made with members.

**Horticulture Act, 1960.** Making provision for assisting production and marketing of produce.

**War Damage (Clearance Payments) Act, 1960.** Validating payments made by the Commission in respect of clearance of war-damaged land.

**Iron and Steel (Financial Provisions) Act, 1960.** Authorising payment out of Consolidated Fund of loans to be made for capital purposes by Minister of Power under Act of 1953.

**Marriage (Enabling) Act, 1960.** Enabling a person to marry certain kin of a former spouse.

### STATUTORY INSTRUMENTS

**No. 545 (L. 5).** Rules of the Supreme Court (No. 1) 1960. Simplifying procedure for entering appearance in the High Court and enabling appearance to be entered by post.

**No. 560.** Town and Country Planning (Erection of Industrial Buildings) Regulations. Providing that all classes of industrial building are prescribed classes for purposes of Section 14 (4) of Act of 1947.

**No. 563.** Industrial Estates Management Corporation Regulations. Providing for the execution of instruments and the mode of entering into contracts by the Corporations.

**No. 596.** Companies Liquidation Account (Interest) Order. Prescribing rate of 3½ per cent. per annum for interest payable under Section 362 (4) of Companies Act, 1948. (See ACCOUNTANCY, April, page 206.)

**No. 597.** Foreign Compensation Commission (Egyptian Claims) (Amendment) Rules. Empowering Commission to appoint two or more persons to make application on behalf of unincorporated association.

**No. 630. Public Trustee (Fees) Order.** Altering date for calculation of administration fee, increasing rate of investment fee and authorising charge of income collection fee where income not paid direct to beneficiary.

**No. 676. Savings Certificates (Amendment) Regulations.** Increasing maximum permitted holding of tenth issue to 1,200 unit certificates.

**No. 695. Town and Country Planning (Control of Advertisements) Regulations.** Consolidating with minor amendments the Regulations of 1948 as amended.

**No. 707. National Insurance and Industrial Injuries (Republic of Ireland) Order.** Giving effect to agreement with the Republic for reciprocity.

**No. 728 (L.6). Supreme Court Funds Rules.** Amending Rules to provide machinery for transferring funds from District Registries to Accountant General when Court orders funds to be placed on deposit or invested, etc.

**No. 729. Legal Advice (Amendment) Regulations.** Relaxing financial conditions on which advice is available under Section 7 of Act of 1949.

**No. 730. Legal Aid (General) (Amendment) Regulations.** Relaxing financial conditions for aid in matters not involving litigation and clarifying grounds on which aid may be refused.

**S.I. Effects.**—Table recording the Effect of Acts, Statutory Instruments, etc., on previous Statutory Instruments as at December 31, 1959.

### DECISIONS OF THE COURTS

#### Administration of Estates

When beneficiary "entitled to actual receipt of yearly" income.

*In re Need deceased.* (2 W.L.R. 730.)

#### Building

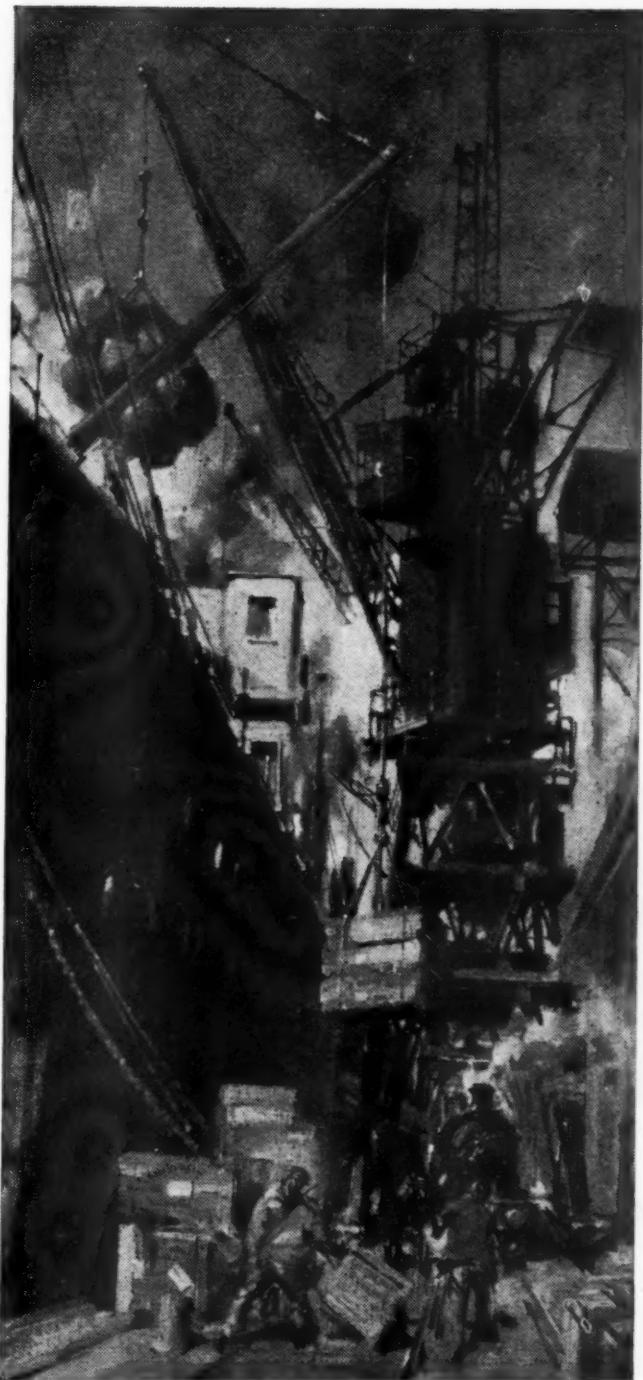
"Temporary platform" in Regulation 24 (5) (d) of Building (Safety, etc.) Regulations, 1948 applied to a platform erected temporarily for a particular purpose but not to a fixed structure being used temporarily as a working place.

*Westcott v. Structural & Marine Engineers Ltd.* (1 W.L.R. 349.)

#### Charity

In charity established by scheme where "no alteration, etc., shall be made involving a





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		Current Accounts				
1957		B	C	1957	B	C
Dec. 31 Balance		£	£	500	Dec. 31 Balance	2,000
1958				1958		
Dec. 31 Drawings	1,500	800		Dec. 31 Profit and loss account	1,762	881
Balance c/d	2,262			Balance c/d	1,762	419
	<u>3,762</u>	<u>1,300</u>			<u>3,762</u>	<u>1,300</u>
1959				1959		
Jan. 1 Balance b/d		419		Jan. 1 Balance b/d	2,262	
Transfer to capital	2,262			Transfer to capital		419
	<u>2,262</u>	<u>419</u>			<u>2,262</u>	<u>419</u>
A (deceased)—Loan Account						
1958		£		1957		£
Jan. 1 Cash	..	..	2,000	Dec. 31 Capital account	6,000	
June 30 Cash	..	..	2,000	Current account	2,900	
Dec. 31 Cash	..	..	2,000	B. & C.—Capital accounts share of surplus on revaluation	..	5,100
Balance c/d	..	..	8,557			
1958				1958		
June 30 Interest on £12,000				June 30 Interest on £12,000		
5 per cent. for 6 months				5 per cent. for 6 months	..	300
				Dec. 31 Interest on £10,300		
				5 per cent. for 6 months	..	257
1959				14,557		
June 30 Cash	..	..	8,771	1959		
				Jan. 1 Balance b/d	..	8,557
				June 30 Capital accounts		
				B & C Interest on £8,557 at 5 per cent. for 6 months	..	214
				8,771		

## NOTES:

1. On A's death, the assets revalued give an increase of:

Goodwill	£6,000
Other assets	£3,600
Life policy	£600

**£10,200 divisible as follows:**

— A, £5,100; B, £3,400 and C, £1,700.

As the asset accounts are not to be altered, A (deceased) is credited with his share—namely £5,100—and this gain is treated as a loss to be borne by B and C in their agreed proportion—hence the debits to their capital accounts.

2. After this adjustment, A (deceased) loan account is treated like any other loan account, interest being credited to it and debited to the profit and loss account for 1958 whilst the business was trading. The interest payable on June 30, 1959, is debited to the capital accounts of the partners B and C, there being no other accounts, owing to the previous cessation of business.

3. The profit and loss account for the year ended December 31, 1958, would read:

4. The profit on the sale of the business concerns B and C only and is transferred in their respective portions to their capital accounts. The profit is arrived at as under:

	£	£	£
Capital accounts at January 1, 1959	B	1,000	C 500
Current accounts at January 1, 1959		2,262	419 (Dr.)
A (deceased) loan account	8,557		
	£		
	11,900	8,557	+
Sale price	14,000	3,262	+
			81
Surplus	2,100	1,400	700

6. Had asset accounts been operated upon, the surplus on revaluation would have been credited to the capital accounts of B and C and the loan account of A (deceased). If it were subsequently decided to write the asset accounts down to their original values, the "loss" would have been debited to the partners at the time, B and C. In effect this was done, the debits being made simultaneously with the credit of £5,100 given to A (deceased).

## ESTATE DUTY

ALL PROPERTY PASSING (or deemed to pass) on death is liable to estate duty. Whether any duty is payable depends on the aggregate amount of the property passing and the type of property. No duty is paid if the total value of the property passing does not exceed £3,000. Certain property is not liable unless sold, e.g. timber. To the basic rule there are a number of exceptions which the student must know.

One class of property which is liable and which causes students difficulties is a "cesser of interest." A cesser of interest is the benefit accruing or arising to an estate by reason of a charge or burden thereon ceasing to be operative. For example, in his will Alan Jones left a block of flats to David Peters subject to the payment out of the income from the block of an annuity of £300 per annum to Sarah Jones for life. On the death of Sarah, the annuity will cease and the property will be freed from the charge. There is, therefore, said to be a "cesser of interest" and duty will be paid on the consequential benefit.

The value of the benefit is calculated as follows:

(a) If the interest which has ceased extended to the whole of the income of the property, the value of the benefit is the value of the property; e.g., if the total income from the flats was £300 per annum and the value of the

flats was £3,400, the value of the cesser of interest would be £3,400.

(b) If the interest extended to less than the whole income of the property, it will be a proportionate part of the value of the property; e.g., if the total income of the flats was £500 per annum and the value of the flats was £6,000, the value of the cesser of interest would be  $\frac{300}{500} \times 6,000 = £3,600$ .

(c) If the interest is a limited interest in the residue of the estate of a testator or intestate, and the administration of the estate has not been completed, the value of the cesser of interest is the value of the limited interest in (a) the unadministered estate of the testator or intestate as for the time being held by the personal representatives, subject to outstanding charges on residue (including any sum payable out of residue under the law relating to intestacy) and to any adjustments between capital and income which have to be made during administration; and (b) in the property representing the ascertained residue.

The duty payable in respect of the cesser of interest is not payable by Sarah Jones's personal representatives, as she was not competent to dispose of the property. David Peters will bear the duty which is a charge on the block of flats.

The rate of duty leviable on the cesser of interest will depend on the amount of Sarah Jones's other property passing on death. Assuming that the value of the cesser is £3,400 and the other unsettled property passing amounts to £6,800 (there is no settled property), the duty payable would be:

Total value £(6,800 + 3,400) =	£10,200
Rate of duty 6% on £10,200 = £612	
but limited to 4% on £10,000 = £400	
Plus excess over £10,000	200
	£600

Proportion applicable to cesser of interest:

$$\frac{3,400}{10,200} \times £600 = £200.$$

## Notices

The British Computer Society will hold its second annual conference at Harrogate from July 4 to 7. One of the business sessions is "A Symposium on Accounting Applications" and as well as other sessions on general, statistical and scientific aspects of computers, there is one also on "The State of the Art in the United States" and another on "The Organisation of a Computing Centre."

The latest development of International Computers and Tabulators was the opening by Lord Mills of the new demonstration centre at Hamilton House in Piccadilly, and the new computer centre at Putney Bridge House. The joint operation was performed by means of closed circuit television—it is believed for the first time in this country. The two places were linked by television so that the audience at both saw the ceremony and later had a "look in" at the operation of the research station at Stevenage and one of the larger factories, at Castlereagh, near Belfast. The whole range of I.C.T. punched card equipment will be on view at Hamilton House, while Putney Bridge House will house not only computers but also the "brains trust," consisting at present of 150 men and women, to be extended later to 250. This staff will be engaged on determining whether a computer can help in solving a customer's problems and, if so, ensuring that it does so. The next stage, now begun, is to get the computer to help in writing its

own programme. There will also be a programme library from which it will be possible to obtain standard parts of programmes for the use of customers. At the recent Production Exhibition at Olympia I.C.T. had a stand showing its 1202 computer. Visitors were invited to place an order for one of a specified number of products stating the number required and asking how soon the order could be completed. The reply, including the cost, was forthcoming in seconds.

RANK-Xerox Ltd. has just introduced, for delivery in November on the British market, the Xerox 914 Office Copier, described as the first fully-automatic machine producing high-quality copies on ordinary plain paper by electrical photography. The print, in black and white, can be taken from anything written, typed, printed or drawn, in any form from a letter to a book, with a maximum size of print of a foolscap sheet. The original can be in colours without affecting the copy but half-tone cannot be reproduced faithfully. The machine can only be hired, with full after service, and the basic rental is £30 monthly with an additional charge of 3d. for every copy beyond 2,000. It is non-competitive with the normal casual copier but economic for larger-scale use, the cost, including some 4d. per copy for consumables, being just under 4½d. each for 100 copies daily and under 4d. each for 250 copies. Operation is extremely simple—placing the master copy, selecting the number of copies to be made and pressing a button—the copy comes off dry and permanent and the operator uses no chemicals. At present copies can be printed only on one side of the paper.

The distinction of being the first bank in the United Kingdom to inaugurate centralised accounting on a nation-wide scale falls to the Bank of Scotland. Branches in Oxford Street, London; Dunfermline and Glasgow, as well as some Edinburgh offices, are in direct Telex communication with the recording centre in Edinburgh. Branch transactions are sent daily and converted to punched cards for ledger posting on the IBM data processing system. New balances, interest and bank charges are thrown up automatically, while statistical analyses and statements are other by-products. The system is based on a standard 421 accounting machine of IBM United Kingdom Limited which is to be replaced in 1961 by an IBM 1401 computer with magnetic tape input.

At the beginning of this month E.M.I. Electronics Ltd. gave a demonstration of the EMIDEC 1100, described as the first all-transistor computer. Capable of performing almost 500,000 calculations a minute, the computer has been specially planned for business use—from sales and payroll accounting to stock control and production planning. It is claimed that it combines in a high degree the qualities of reliability, flexibility, extensibility, simplicity and speed. The cost is in the range £150,000 to £250,000, according to requirements. One computer has already been delivered and thirteen more have been ordered, sufficient to keep the production line occupied for at least the rest of the year. There was also shown the EMIDEC 2400, a much larger and costlier job designed as an advanced data-processing unit. Two are on order, one for the Ministry of Pensions and the other for the R.A.O.C.

# The Institute of Chartered Accountants in England and Wales

## Annual Meeting

THE SEVENTY-NINTH ANNUAL meeting of the Institute of Chartered Accountants in England and Wales was held on Wednesday, May 4, at the Hall of the Chartered Insurance Institute, Aldermanbury, London, E.C.2. Mr. C. U. Peat, M.C., M.A., F.C.A., the President, occupied the chair.

The President said: Well, madam and gentlemen, it is exactly 2 o'clock and with your permission I will start the meeting. Most members will, no doubt, have seen the printed notice outside the Hall, but if it has escaped the attention of any member who has not paid his subscription, I must ask such a member to withdraw from the meeting.

Now, may I introduce the people sitting on the platform. From left to right, Mr. Evan-Jones, Mr. Wilkinson, Mr. Barrows, Sir William Carrington, Sir Thomas Robson, the Vice-President, the Secretary, Sir Harold Howitt, Mr. Lawson, Mr. Loveday and Mr. Allen.

No doubt you will wish, as usual, to take the notice convening the meeting and the auditors' report as read. (*Agreed.*)

The President proposed the adoption of the report and accounts, and delivered the address printed on pages 263-6 of this issue.

Mr. S. J. Pears, F.C.A. (London) (Vice-President) seconded the resolution.

The President: The resolution has now been moved and seconded and the report and accounts are now open for questions or discussion. May I say at this point, gentlemen, that I think the best method of going about questions and suggestions which may come from the floor of the meeting is for me to wait until all the questions have been put and then I shall try and answer them, instead of dealing with each one as it crops up. May I please have your names and questions quite clearly so that I can deal with them.

Mr. H. A. Bakewell, F.S.A.A. (London): Although the report contains particulars of many changes in membership, I regret being unable to find a mention of any suggestion to grant a change of status to incorporated accountants. This matter has, of course, been raised on several previous occasions, and at the special general meeting last year, the President said that consideration would be given to the representations then put forward.

Incorporated accountants came into being as the progeny of the Society before the marriage of the Society to the Institute, but there seems no reason why they should continue to be treated as though their parents had

never been married at all. In ordinary life, it is possible for children born out of wedlock to be legitimised by the subsequent marriage of their parents, and something akin to this principle might be applied in the Institute.

It is clear from letters in *The Accountant* and from conversations with other members that incorporated accountants generally are feeling a good deal of disquiet about the continued denial to them of full status, and I believe that there is a substantial and growing volume of opinion among chartered accountants in favour of removing the distinction.

I should therefore like to ask for a statement of the course of the deliberations by the Council on this matter.

The President: Thank you, Mr. Bakewell.

Mr. F. A. Roberts, F.C.A. (Surbiton), said that in lecturing before the District Societies he had again and again urged the discontinuance of the use of the words "sundry debtors" and "sundry creditors" in describing debts receivable and debts payable, also of the practice of including payments in advance under the caption of current assets and receipts in advance under that of current liabilities.

Debtors or creditors were persons by whom or to whom money was payable, and they did not thereby become assets or liabilities. A debt, the speaker maintained, was a chose-in-action and the legal and indeed common-sense description was "debts receivable" or "debts payable."

How could the inclusion of payments in advance under the heading of current assets be justified? The purpose of the collation in a balance sheet of current assets and current liabilities was to reveal the degree of liquidity. If he owed £200 and had a bank balance of £180, the fact that he had paid a rate in advance of £20 would be of no assistance in the discharge of the £200, unless he sold the house and recovered the advance proportion from a purchaser. Payments in advance could not contribute to the current liquid position.

The current liabilities in the Institute's balance sheet were shown at £97,250—indicating that that total was payable either then or in the near future. Of this, £7,438 was in respect of subscriptions in advance. He had taken Counsel's opinion, which was to the effect that a receipt in advance resulted in a liability if, and only if, the recipient of the money failed to afford the service under the contract. It was not that there was any liability *until* the service was rendered. The liability arose from the payer not having received the consideration for which he had paid—breach of contract.

He suggested that the balance sheet before the meeting should show current assets at £98,099 and current liabilities at £89,812, with payments in advance under a heading such as deferred expenditure and more particularly

with receipts in advance under a separate caption.

The treatment criticised was frequently adopted in balance sheets. It was for the Institute to remove the misconception in the commercial world. Next year he hoped the balance sheet would set the example.

The President: The questions seem to have dried up. Can I first deal with Mr. Bakewell's suggestion that the difference between incorporated accountants and chartered accountants in our Institute should be eliminated? I expected a question of that sort and, if I may do so, I will read the answer. You asked for a statement, Mr. Bakewell, and we have been particularly careful to prepare a considered statement on that subject. I would, before I read the statement, like to get rid of the suggestion that there is any similarity between the incorporated accountant in our Institute and children out of wedlock. I think that is putting it a little bit too high.

One of the really great difficulties which arose in formulating the scheme of integration was the fact that the Society's regulations allowed persons to qualify as incorporated accountants in municipal service, in overseas offices and some other ways which were foreign to the basis which has always been fundamental to qualification as a member of the Institute, that is to say training in public accountancy in England or Wales. The solution arrived at in the scheme of integration, namely the creation of an incorporated accountant class of membership of the Institute, was fundamental to the scheme. Without this feature the scheme would never have been born, as it would have created a very wide range of problems.

I am sorry I cannot say anything more about it at the present time, but this is a very carefully considered statement which may not be satisfactory so far as you, Mr. Bakewell, are concerned.

Now, Mr. Roberts, I have to thank you for your very helpful suggestions. The chairman of our Finance Committee is here—although I do not think for one moment that you are suggesting that the accounts should be changed this year, but the points you put forward will be carefully considered for next year. I assure you of that. I am most grateful to you for having put them forward.

The resolution has now been moved and seconded; questions have been asked and I will put it to the meeting. Those in favour; those against; carried unanimously.

I now have pleasure in moving a resolution confirming the appointment of one member of the Council to fill a vacancy arising since the last annual meeting. The member's name appears on page 7 of the report and he is Mr David Steele, F.C.A., Bradford, and I will ask the Vice-President to second.

Mr. Pears: I have very much pleasure in seconding the resolution.

The President: Those in favour; those against; carried unanimously.

The following eleven members of the Council retire under Bye-law 5 and are eligible

for re-election. The names of the members in practice (other than the "Society's appointed member" whose position is governed by clause 18 of the scheme of integration) have been referred to the district societies concerned and no other nominations have been received. I therefore declare the eleven members re-elected in accordance with Bye-law 8. They are:

Mr. William Leonard Barrows, LL.D., F.C.A., Birmingham.  
 Mr. George Thomas Everard Chamberlain, F.C.A., Leicester.  
 Mr. Jack Clayton, F.C.A., London.  
 Mr. Leonard Cecil Hawkins, F.C.A., London.  
 Mr. James Stanley Heaton, F.C.A., Keighley.  
 Mr. Paul Dugan Irons, B.COM., F.C.A., Hatfield.  
 Mr. William Halford Lawson, C.B.E., B.A., F.C.A., London.  
 Mr. Redvers Boulton Leech, M.B.E., T.D., F.C.A., Coventry.  
 Mr. Robert McNeil, F.C.A., Hove.  
 Mr. Sidney John Pears, F.C.A., London.  
 Mr. David Steele, F.C.A., Bradford.

The next resolution concerns the election of auditors. Mr. L. W. Bingham, F.C.A. and Mr. Leonard Pells, M.A., F.C.A., retire and are eligible for re-appointment. Can I have a proposer, please?

**Mr. Roberts:** Mr. President, it is my pleasure to move the following motion: "That Mr. L. W. Bingham, F.C.A., and Mr. Leonard Pells, M.A., F.C.A., be re-appointed auditors for the ensuing year at a total remuneration of 1,000 guineas."

**The President:** Mr. Holmes, would you second?

**Mr. L. E. Holmes, A.S.A.A. (Orpington):** I have pleasure in seconding the resolution.

**The President:** The resolution has been proposed and seconded. Those in favour; those against; carried unanimously.

The last item is to consider and if thought fit pass the following resolution:

That, for the purpose of removing any doubt which may exist in the law as to the ownership of the assets held by the three branches in South Africa of the Society of Incorporated Accountants (in voluntary liquidation) known as the Northern Branch, the Eastern Branch and the Western Branch respectively, and to ensure that the assets shall be at the disposal of these branches, the Institute hereby renounces and assigns in favour of each of the said branches any legal interest which it may have in the assets of each of such branch respectively. I will ask the Vice-President to second the motion.

**Mr. Pears:** I have pleasure in seconding the motion.

**The President:** Those in favour; those against; carried unanimously.

**Mr. J. D. Russell, M.A., F.C.A. (Chairman of the London District Society):** Mr. President, I have been asked to express the thanks of this meeting for your conduct in the chair. Please forgive me for rising to my feet two years running. I hasten to explain that my second appearance is due to my having deputised for someone last year. I hope it will not be regarded as a precedent in some

quarters. On this occasion I am proposing this vote of thanks in my own right, and I have much pleasure in doing so.

Mr. President, this is the recognised occasion when members of the Institute have the opportunity of thanking the President for all his services during his year of office. Many of us here today have come to know Mr. Peat extremely well. He has given us very much support and help and has set a very high standard for future Presidents to attain. We have very much enjoyed his delightful company and his charming speeches, which have done so much to make a success of the very many functions which he has attended on behalf of the Institute.

Mr. President, please accept our thanks for all you have done and are doing for our profession and also thank Mrs. Peat for her gracious support which she has given you on many occasions. Gentlemen, I am sure you will carry this vote by acclamation. *(Applause.)*

**The President:** Mr. Russell, madam and gentlemen, thank you very much for the way you have proposed this vote of thanks to me and for the way it has been received. My year of office has been of great interest and great pleasure as far as I am concerned, and if I have, by any chance, been able to serve the interests of the Institute I am altogether well rewarded for anything I have done and certainly I will pass on your kind message to my wife. Thank you very much indeed. *(Acclamation.)* That concludes the business of the meeting but I hope some of you will be able to remain to attend the meeting of the Benevolent Association.

## Meetings of the Council

AT SPECIAL AND ordinary meetings of the Council held on Wednesday, May 4, 1960, at the Hall of the Institute, Moorgate Place, London, E.C.2, there were present: Mr. C. U. Peat, M.C., President, in the Chair; Mr. S. J. Pears, Vice-President; Mr. E. Baldry, O.B.E.; Mr. C. Percy Barrowcliff; Mr. W. L. Barrows; Mr. T. A. Hamilton Baynes; Mr. J. H. Bell; Mr. H. A. Benson, C.B.E.; Mr. P. F. Carpenter; Sir William Carrington; Mr. G. T. E. Chamberlain; Mr. D. A. Clarke; Mr. J. Clayton; Mr. C. Croxton-Smith; Mr. W. G. Densem; Mr. S. Dixon; Mr. W. W. Fea; Sir Harold Gillett, M.C.; Mr. J. Godfrey; Mr. G. G. G. Goult; Mr. P. F. Granger; Mr. L. C. Hawkins; Mr. J. S. Heaton; Mr. D. V. House; Sir Harold Howitt, G.B.E., D.S.O., M.C.; Mr. P. D. Irons; Mr. J. A. Jackson; Mr. W. H. Lawson, C.B.E.; Mr. H. L. Layton; Mr. R. B. Leech, M.B.E.; Mr. R. McNeil; Mr. J. H. Mann, M.B.E.; Mr. R. P. Matthews; Mr. W. Bertram Nelson, C.B.E.; Mr. W. E. Parker, C.B.E.; Mr. F. E. Price; Mr. P. V. Roberts; Mr. L. W. Robson; Sir Thomas Robson, M.B.E.; Mr. K. G. Shuttleworth, Mr. D. Steele; Mr. C. M. Strachan, O.B.E.; Mr. J. E. Talbot; Mr. A. D. Walker; Mr. A. H. Walton; Mr. V. Walton; Mr. E. F. G.

Whinney; Mr. J. C. Montgomery Williams; Mr. R. P. Winter, C.B.E., M.C.; Mr. E. K. Wright; Sir Richard Yeabsley, C.B.E.

### Death of Mr. G. F. Saunders, F.C.A.

The Council received the report of the death of Mr. G. F. Saunders, F.C.A., Liverpool, with very much regret.

Mr. Saunders was elected to the Council in 1948 and had served on the Applications, Finance, Parliamentary and Law, Disciplinary, Summer Course and General Purposes Committees. He was Chairman of the Applications Committee from 1956 to 1959, and of the Parliamentary and Law Committee from 1955 to 1958.

### Building Societies Bill

A memorandum has been submitted to the Lord Privy Seal and Minister for Science on behalf of the Council drawing attention to certain matters arising on the Building Societies Bill.

### Breach of Covenants in Articles

On the report of the Articled Clerks Committee the Council has considered two cases in which articled clerks have left the office

of their principal without permission. In both cases the clerk and where appropriate his covenantor have been given the opportunity to comment on the position and their attention has been drawn to the covenants in articles which provide:

"that the articled clerk will not depart or absent himself from the service of the principal at any time during the said term without his consent first obtained"

and "that if during the said term the articled clerk . . . shall be absent without leave otherwise than by reason of illness for a period of one month the principal shall be entitled to discharge the articled clerk from service hereunder."

In both cases all parties to the articles have been informed that service thereunder has been regarded as terminated and that the Council will exercise its power under bye-law 50 to refuse to accept any new articles submitted for registration at any future date by or on behalf of the clerk unless a full and satisfactory explanation of the circumstances is offered to, and accepted by, the Council.

### Refusal to Register Articles

An applicant who submitted, for the purpose of obtaining exemption from the Preliminary examination, an examination certificate which had been altered by him has been informed that the Council will refuse to register articles of clerkship to which he may be a party.

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57 illustrations

Price 25s.

This is believed to be the first British textbook to cover the whole subject of Standard Costing. The book has been written by an experienced Lecturer in Cost Accounting, primarily for students preparing for Part II of the Intermediate and Parts A (Integrated Accounting in the Advanced Accounting Syllabus) and B of the Final of the Examinations of the Institute of Cost and Works Accountants.

The student is taken, stage by stage, through the procedures for developing and using Standard Costs. Wherever possible practical illustrations have been given. Special attention has been paid to explaining the Calculation of Variances and Accounting for Standard Costs for, from experience, the author has found that it is with these topics that the student has most difficulty.

8 John Street  
London, W.C.1



**Exemption from the Preliminary Examination**  
 Three applications under bye-law 79 for exemption from the Preliminary examination were acceded to.

**Exemption from the Intermediate Examination**

One application under bye-law 85 (b) for exemption from the Intermediate examination was acceded to.

**Reduction in Period of Service under Articles**  
 Three applications under bye-law 61 for a reduction in the period of service under articles were acceded to. One application was refused.

**Exemption from the Preliminary Examination**  
 Passes obtained in the examinations of different examining bodies:

The regulations governing exemption from the Preliminary examination provide that in no circumstances are passes in the General Certificate of Education examinations regarded as having been obtained at one sitting if awarded by different examining bodies.

The Council has decided to substitute for this regulation, which is expressed in note (IV) on page 45 of the booklet *General Information and Syllabus of Examinations*, May 1960 examinations edition, the following:

"(IV) A candidate may satisfy the conditions above by offering passes awarded by different examining bodies. Such passes cannot be accepted as having been obtained at one sitting unless the examinations at which they were awarded were held in the same term."

**Registration of Articles**

The Secretary reported the registration of 102 articles of clerkship during the last month, the total number since January 1, 1960, being 774.

**Admissions to Membership**

The following were admitted to membership of the Institute:

BAGOT, PETER JAMES CORNELIUS; A.C.A., 1960; 5 Knowsley Avenue, Marton, Blackpool.  
 §BARLOW, GERALD-ROYE; A.S.A.A., 1960; 21, Avenue Capitaine Piret, Brussels, 15.  
 §DAVER, NAUSHIRWAN BURJORJI; (1960); F.S.A.A., 1960; A.S.A.A., 1930; Secretary and Chief Accountant, Tata Hydro-Electric Companies, Bombay House, Bruce Street, Fort, Bombay.  
 ENDERSBEE, BRYAN JOSEPH; A.C.A., 1960; 46 Heather Road, Lee, London, S.E.12.  
 FRANKISS, CHARLES CLIFFORD; A.C.A., 1960; 157 Hampstead Way, London, N.W.11.  
 §HERBERT, GLYNN BASIL; A.S.A.A., 1960; 230 Boshoff Street, New Muckleneuk, Pretoria, S. Africa.  
 ISHERWOOD, WILLIAM RAMSBOTTOM; A.C.A., 1960; 301 Rochdale Road, Bury.  
 McKENNA, (MISS) JEAN MIRIAM DOLORES; A.C.A., 1960; 167 Eastern Avenue, Ilford, Essex.  
 MASON, GEOFFREY; A.C.A., 1960; 91 Stormont Road, Garston, Liverpool, 19.  
 MOON, GERALD; A.C.A., 1960; 8 Norfolk Street, Barrow-in-Furness.

§ROZEN, HENRI WILLY; A.S.A.A., 1960; 22 Mulier Street, Yeoville, Johannesburg, S. Africa.  
 §STOTT, GAVIN CYRIL; A.S.A.A., 1960; North Shepstone, Natal South Coast, S. Africa.

**Fellowship**

The Council acceded to applications from twenty associates to become fellows under clause 6 of the Supplemental Royal Charter.

**Incorporated Accountant Member Becoming an Associate**

The Council acceded to an application from the following Incorporated Accountant member for election as associate under clause 6 of the scheme of integration referred to in clause 34 of the Supplemental Royal Charter:

SAPPER, PETER MICHAEL; (1958); A.S.A.A., 1957; 86 Old Fort Road, Shoreham Beach, Sussex. (With Nyman Libson, Paul & Co.)

**Members Commencing to Practise**

The Council received notice that the following members had commenced to practise:

ADCOCK, JOHN ROBERT; A.C.A., 1958; (S. 1952); (†Peat, Marwick, Mitchell & Co.), Beaufort House, Newhall Street, Birmingham, 3.  
 AGLEY, HAROLD WADDINGTON; A.C.A., 1958; (S. 1957); (†Layton-Bennett, Billingham & Co.), 23 Blomfield Street, London, E.C.2.  
 AITKEN, RONALD WILLIAM; A.C.A., 1957; (†Singleton, Fabian & Co.), 30 Southampton Buildings, Chancery Lane, London, W.C.2, and 65 London Wall, London, E.C.2.  
 ANDERSON, ERNEST CHARLES; F.C.A., 1960; A.C.A., 1958; (S. 1934); 185 Browning Road, Manor Park, London, E.12.  
 ARMITAGE, BRIAN HOLMES; A.C.A., 1959; (S. R. Fuller & Co.), 13/15 Clarendon Road, Leeds, 2.  
 AUGER, PETER GEORGE, B.COM.; A.C.A., 1952; (Crasey, Son & Wickenden), 40 High Street, Chatham, Kent.  
 BAKER, MAX; A.C.A., 1958; (James Kimche & Co.) and (M. J. Goldburgh & Co.), 15 Red Lion Square, London, W.C.1, and 26 Lordship Park, London, N.16.  
 BAKER, WILLIAM; A.C.A., 1959; (Hatchwell & Browne), 16 Liverpool Road, Chester.  
 BAXTER, FREDERICK GEOFFREY; A.C.A., 1954; (Hodgson, Harris & Co.), Bank Chambers, Parliament Street, Hull; (for other towns see Hodgson, Harris & Co.).  
 BENNETT, SIDNEY JAMES; F.C.A., 1960; A.C.A., 1958; (S. 1940); (Fryer, Sutton, Morris & Co.), 5 London Wall Buildings, Finsbury Circus, London, E.C.2, and at Reading.  
 BERGER, MALCOLM HYMAN; A.C.A., 1957; (M. Berger & Co.), 29 Brim Hill, London, N.2.  
 BOLTON, JOHN WILLIAM; A.C.A., 1951; (John W. Bolton & Co.), "Fairways," Ingle Green, Gayton, Heswall, Cheshire.  
 BONE, MICHAEL JOHN STUART; A.C.A., 1960; (C. and M. J. S. Bone), Monmouth House, 87 The Parade, Watford.  
 CARR, NORMAN ERNEST; A.C.A., 1956; 44 Harris Road, Chilwell, Nottingham.  
 CARTER, FRANCIS JOHN; A.C.A., 1958; (D. P. Newell, Wright & Co.), Worcester Cross Chambers, Oxford Street, Kidderminster, and at Bridgnorth.  
 CASSON, GEORGE RONALD LOUNT; A.C.A., 1959; 138 Laura Grove, Preston, Paignton, Devon.  
 CHARLTON, MURRAY ANTHONY; A.C.A., 1935; (†Deloitte, Plender, Griffiths & Co.), 5 London Wall Buildings, Finsbury Circus, London, E.C.2; (for other towns see †Deloitte, Plender, Griffiths & Co.).  
 CHILVER, BRIAN OUTRAM; A.C.A., 1955; (Temple, Gotha & Co.), 7/8 Norfolk Street, Strand, London, W.C.2.  
 CHURCHILL, BRIAN ALWYN; A.C.A., 1956; (Evans, Peirson & Co.), Portland House, 73 Basinghall Street, London, E.C.2.  
 COOK, JACK DOUGLAS; A.C.A., 1954; (W. E. & H. R. Stacey), Union House, 6 Martin Lane, London, E.C.4, and at Liverpool.  
 COONEY, PETER JOHN; A.C.A., 1958; (Herbert Godkin & Co.), 73 Regent Road, Leicester, and at Loughborough.  
 CROUDSON, DAVID, B.COM.; A.C.A., 1955; (Croudson & Co.), 1 Oxford Place, Leeds, 1, and at Malton.  
 CROUDSON, PAUL; A.C.A., 1957; (Croudson & Co.), 1 Oxford Place, Leeds, 1, and at Malton.  
 D'AGAPEYEFF, ALEXANDER; A.C.A., 1959; (†Hays, Akers & Hays), 30 Cursitor Street, Chancery Lane, London, E.C.4.  
 DANKS, JOHN LESLIE; F.C.A., 1960; A.C.A., 1958; (S. 1938); (C. McDonald & Co.), National Provincial Bank Chambers, 78 Victoria Road, Surbiton, Surrey.  
 DASHWOOD, CYRIL FRANCIS; A.C.A., 1950; (Nevill, Hovey, Gardner & Co.), 94 Old Broad Street, London, E.C.2, and at Hove.  
 DOVE, JACK RICHARD; A.C.A., 1956; (Alfred Smith, J. R. Dove & Co.), Eastgate House, 11 Cheyne Walk, and 98 St. James Road, Northampton, 1.  
 EVANS, AUSTIN HAROLD; A.C.A., 1958; Finance House, 6 Tudor Road, Cardiff.  
 FOSTER, ROY WILLIAM JOHN; A.C.A., 1955; (Davie, Parsons & Co.), 6 Bishopsgate, London, E.C.2.  
 GLEDHILL, JACK; A.C.A., 1954; (Kerr & Co.), Post Office Buildings, Halifax.  
 GRAHAM, KEITH MARK; A.C.A., 1952; (N. T. O'Reilly and Partners), Birbeck House, Duke Street, Penrith, Cumberland, and at Carlisle, Hawes & Kirkby Stephen.  
 GURNEY, BRIAN EDWIN; A.C.A., 1952; (Johnson, Gurney & Co.), Highclere, Courtlands Drive, Watford, and at St. Albans.  
 HALE, PETER; A.C.A., 1958; (Baker, Todman & Co.), Canada House, Norfolk Street, Strand, London, W.C.2.  
 HARRISON, THOMAS GERARD, M.B.E.; F.C.A., 1960; A.C.A., 1947; (T. G. Harrison & Co.), 52 Lime Street, London, E.C.3.  
 HAYES, JOHN EDWARD, B.COM.; A.C.A., 1960; Lonsdale House, Cook Street, Leigh, Lancs.  
 HEACOCK, DAVID JOHN, B.A.; A.C.A., 1957; (Thomas Brittan & Co.), 4 Waterloo Street, Birmingham, 2.  
 HERDMAN, RODERICK HARLING LEADHAM; A.C.A., 1953; (Edmonds & Co.), Market Chambers, High Street, Petersfield, Hants.; (for other towns see Edmonds & Co., and †Edmonds & Co.).  
 HERRING, BRIAN JOHN; A.C.A., 1955; (†Layton-Bennett, Billingham & Co.), 23 Blomfield Street, London, E.C.2.  
 HOBDEN, JOHN LEVETT; A.C.A., 1952; (†Hubbart, Durose & Pain), P.O. Box 33, 18 Park Row, Nottingham.  
 HOLLAND, NIGEL FRANCIS; A.C.A., 1951; (Baker, Sutton & Co.), Eldon Street House, Eldon Street, London, E.C.2.  
 HOLT, MICHAEL, M.A., LL.B.; A.C.A., 1958; (Arthur Goddard Co.), 46/47 London Wall, London, E.C.2.  
 IVISON, KENNETH; A.C.A., 1958; (S. 1955); (\*Whitaker, Redfearn, Pappin & Co.), Bryndown House, Berry Road, Newquay, Cornwall.  
 JONES, HOWARD NEVILLE, B.A.; A.C.A., 1960; (Horace Jones & Co.), 63 Park Place, Cardiff.  
 KAY, MICHAEL ANTHONY SAMUEL; A.C.A.,

1960; (Fredk. C. Crosland & Co.), 10 Park Row, Leeds, 1.

KING, DAVID SAMUEL; A.C.A., 1958; (L. King & Co.), State Insurance Buildings, 14 Dale Street, Liverpool, 2.

LAMB, DERRICK RONALD; A.C.A., 1955; (R. E. Wagstaff & Co.), Lloyds Bank Chambers, Town Square, Stevenage, Herts.

LANDAU, MARTIN RICHARD; A.C.A., 1960; (\*Landau, Morley & Scott), 2 Bentinck Street, London, W.1; 2/10 St. John's Road, Clapham Junction, London, S.W.11; and 124/126 The Grove, London, E.15; and at Feltham and Brighton.

LOCK, JOHN MICHAEL; A.C.A., 1959; 7 Oakmeade, Hatch End, Middlesex.

LUNN, BERTRAM RAMSAY; A.C.A., 1958; (T. E. Rowell & Co.), 1 Northumberland Place, North Shields.

LYON-MARIS, PETER DAVID; A.C.A., 1958; 83 Ebury Street, London, S.W.1.

MACAULAY, COLIN FERGUSON; A.C.A., 1952; (\*James, Silley, Mitchelmore & Co.), 59 Hyde Road, Paignton, S. Devon.

MANSBRIDGE, MICHAEL; F.C.A., 1960; A.C.A., 1938; (†Jennings & Co.), 201 Hoe Street, Walthamstow, London, E.17, and Adam House, 1 Fitzroy Square, London, W.1.

MORALEE, SYDNEY; F.C.A., 1960; A.C.A., 1958; (S. 1939); (A. Ian White & Moralee), Emerson Chambers, Blackett Street, Newcastle upon Tyne, 1.

MORRELL, HARRY; F.C.A., 1960; A.C.A., 1949; (†Wheawill & Sudworth), 35 Westgate, Huddersfield; also at Leeds and London, (†Wheawill & Sudworth), and (†James Meston & Co.).

NADIN, PETER WILLIAM RALPH, B.COM.; A.C.A., 1954; (Dean & Son), 4 Market Square, Stafford; also at Newcastle, Staffs. (A. Daning & Co.).

NORMAN, ERNEST ARTHUR; A.C.A., 1952; (Howard Heaton & Bendall), 5 Foregate Street, Worcester, and at Birmingham and Wolverhampton.

NUTTALL, GEOFFREY ELLIS; A.C.A., 1958; 53 Victoria Road, Cleveleys, Blackpool.

OGLEY, THOMAS ALWYN, B.A.(ECON.); A.C.A., 1954; (Franklin, Greening & Co.), Broom-spring House, 85 Wilkinson Street, Sheffield, 10, and 22 Norfolk Row, Sheffield, 1.

O'HARA, JOHN DOUGLAS; A.C.A., 1954; (Hodgson, Harris & Co.), 53 Eastcheap, London, E.C.3; (for other towns see Hodgson, Harris & Co.).

PARKINSON, KENNETH; A.C.A., 1959; (\*A. Fitton & Co.), 26 Railway Road, Darwen, Lancs., and at St. Annes.

PAYNE, SYDNEY; F.C.A., 1960; A.C.A., 1939; (Dawson, Graves & Co.), 1 Tithebarn Street, Liverpool, 2.

PHILLIPS, PETER WARREN; A.C.A., 1955; (P. D. Leake & Co.), 84 Queen Victoria Street, London, E.C.4.

RANDERSON, BERNARD JOSEPH; A.C.A., 1958; (Croudson & Co.), 1 Oxford Place, Leeds, 1.

REASON, WILLIAM MATTHEW; A.C.A., 1958; (S. 1952); (J. R. Watson & Co.), 11a Abington Street, Northampton.

RICKARDS, ANTHONY PETER; A.C.A., 1959; (†Carter, Greig & Co.), 44 Chandos Place, London, W.C.2, and at Edinburgh.

ROBESON, PAUL MICHAEL; A.C.A., 1958; (†Hogg, Bullimore & Co.), City-Gate House, Finsbury Square, London, E.C.2.

SCOTT, WALTER; A.C.A., 1958; (S. 1953); (Thomas H. How & Co.), Radnor House, 93 Regent Street, London, W.1.

SENIOR, LESLIE; F.C.A., 1960; A.C.A., 1948; (Beever & Adgie), 26 Park Row, Leeds, 1, and at Cleckheaton.

SERGEANT, JOHN JEFCOATE ROSS; A.C.A., 1951;

(†Hubbart, Durose & Pain), P.O. Box 33, 18 Park Row, Nottingham.

SIMS, NEVILLE WILLIAM; A.C.A., 1958; (S. 1957); (Phillips & Trump), 27 Park Place, Cardiff.

SKIDMORE, NEIL RAYNER; A.C.A., 1958; (S. 1954); (Howard Heaton & Bendall), 3 Queen Street, Wolverhampton, and at Birmingham and Worcester.

SMITH, ALAN MATTHEW; A.C.A., 1957; (Lovatt & Co.), 70 Church Road, Hove, 3, Sussex.

SMITH, FREDERICK ERNEST; A.C.A., 1952; (Fryer, Sutton, Morris & Co.), 175 Friar Street, Reading, and at London.

STEPHENS, DENIS ALFRED; A.C.A., 1958; (S. 1954); 33 Hillington Gardens, Woodford Green, Essex.

STRACHAN, MALCOLM MAXWELL; A.C.A., 1952; (Hodgson, Harris & Co.), Bank Chambers, Parliament Street, Hull; (for other towns see Hodgson, Harris & Co.).

STRACHAN, ROGER MAXWELL; A.C.A., 1953; (Hodgson, Harris & Co.), Bank Chambers, Parliament Street, Hull; (for other towns see Hodgson, Harris & Co.).

THOMAS, ALAN DOUGLAS LAING; A.C.A., 1959; (H. O. Bennett & Co.), 5 Opie Street, Norwich.

TUCKEY, HERBERT WILLIAM; A.C.A., 1954; (T. O. Williams & Davies), Prudential Buildings, St. Philips Place, Birmingham, 3.

WELBOURNE, CYRIL EDWARD; A.C.A., 1958; (\*Larking, Larking & Whiting), 12/13 The Crescent, Wisbech, Cambs.; (for other towns see \*Larking, Larking & Whiting).

WHITTALL, CYRIL; A.C.A., 1958; (S. 1955); 15 Orchard Close, Puritan, near Bridgwater, Somerset.

WILLIAMS, ROBERT RAYMOND; A.C.A., 1955; (Jones & Hack), 10 White Friars, Chester.

WILSON, BRYAN ARTHUR; A.C.A., 1956; (Hull & Livsey), 22 Booth Street, Manchester, 2.

#### Re-admissions to Membership

It was reported to the Council that the following re-admissions, made at the Council meeting on April 6, 1960, subject to payment of the amount required, had become effective.

EEZZAT, ANTOUN FOUAD, B.COM., A.C.A.; 34 Sh. Emad El Din, Cairo, Egypt.

SAUNDERS, ALAN DOUGLAS, A.C.A.; with Peat, Marwick, Mitchell & Co., 20 Rue Louis le Grand, Paris, France.

#### Changes of Names

The Secretary reported that the following changes of names have been made in the Institute's records:

NEWMAN, THEODORE to NEWMAN, THEODORE JAY.

RIECK, HAROLD HERSHY to RIECK, HAROLD HERSH.

#### Admission Void

The Secretary reported that the admission to membership of the following person had become void under bye-law 41:

RUNSEY, ROBERT ARTHUR; A.S.A.A., 1960;

<sup>8</sup> Means 'incorporated accountant member'. Firms not marked † or \* are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

\* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

33 Mount Willmar, 36 Isipingo Street, Bellevue, Johannesburg, South Africa.

#### Resignations

The Council accepted the resignations from membership of the Institute of:

BIGGS, LAURENCE MALCOLM; F.C.A. (Keller Snow & Co.), Quarry Street, Guildford, Surrey.

DICKINSON, EDGAR, F.C.A., 83 Mayfield Avenue, Prittlewell, Southend-on-Sea, Essex.

SIMMONS, MICHAEL PHILIP, F.C.A. (Malpas Simmons & Co.), Upper Hinton Chambers, Bournemouth.

SMITH, WALLACE HERBERT, F.C.A., 5 Sandringham Road, Birkdale, Southport.

#### Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

AMIEL, JOHN WHITTINGTON, F.C.A., Manchester.

ANDREWS, ALFRED FOORD, F.C.A., Croydon.

BARKER, TOM, F.C.A., Kenilworth.

BETTS, ERIC JOHN, F.C.A., Chalfont St. Giles.

BURGESS, GEORGE FRANCIS, F.C.A., Manchester.

CARTER, HAROLD CHARLES, O.B.E., M.M., F.S.A.A., Bridgwater.

COLLINS, BERTRAM ST. JOHN, F.C.A., Grantham.

CROOK, GEORGE GUSTAVUS, F.C.A., Cromer.

CURTIS, CHARLES JAMES, F.C.A., London.

FORSYTH, WILLIAM, F.C.A., London.

FRANCIS, STEPHEN LLOYD, F.C.A., Swansea.

FYFE, GEORGE, F.S.A.A., Cambridge.

GREAVES, ARTHUR GORDON TRACEY, A.C.A., Teddington.

GREENSTREET, CYRIL FRANK, F.C.A., London.

HALL, BERKELEY, F.C.A., Shepton Mallet.

HARING, GERALD, F.C.A., Birmingham.

HENLEY, DOUGLAS WALTER, F.C.A., Glasgow.

HODSON, ALFRED BRIDGE, F.C.A., Halesowen.

HUDSON, JOHN, F.C.A., Bolton.

JONES, ANDREW, F.C.A., London.

KERR, EVELYN ROBERT COLLOW, F.C.A., Halifax.

MATHIE, JOHN, F.C.A., Parkstone.

PICKIN, LEWIS EDWIN, F.C.A., London.

RIGBY, NORMAN RAPER, F.C.A., Manchester.

SADLER, GEOFFREY FRANCIS, F.C.A., Watford.

SAUNDERS, GEORGE FOREST, F.C.A., Liverpool, Member of the Council.

STOWELL, LEONARD, F.C.A., Southport.

TAYLOR, HENRY STEPHEN, F.C.A., Maidenhead.

TİLETT, RUSSELL LESLIE, F.C.A., London.

#### Finding and Decision of the Disciplinary Committee

*Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21, 1948, at a hearing held on April 6, 1960.*

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Antony Willis Wint, A.C.A., was in the County Court Judges' Criminal Court for the County of York, Province of Ontario in the Dominion of Canada, convicted on all fifty-three counts of an indictment dated October 26, 1959,

charging that by deceit, falsehood and other fraudulent means he attempted to defraud the Taxation Division of the Department of National Revenue of the several amounts specified in the said fifty-three counts of the indictment, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Antony Willis Wint, A.C.A., had been proved and the Committee ordered that Antony Willis Wint, A.C.A., of 4 Moray Place, Scarborough, Ontario, Canada, be excluded from membership of the Institute.

## Chartered Accountants' Benevolent Association

THE SEVENTY-FOURTH ANNUAL general meeting of the Chartered Accountants' Benevolent Association was held after the conclusion of the annual meeting of the Institute.

**Sir William S. Carrington, F.C.A.** (the President), said: Mr. President, gentlemen, I thank you for remaining behind for this, the seventy-fourth annual general meeting of the Benevolent Association, and, I hope, for the special general meeting which follows.

I assume that, in accordance with custom, you will take the report and accounts as read. (*Agreed.*)

When moving the adoption of the report last year I stated that following revision upwards in the scales of relief I anticipated that the expenditure under that heading would increase by some £5,000 per annum. A reference to the report and accounts which are before you shows that the relief granted in the year to February 29, 1960, exceeded that of the previous year by approximately £4,000, whilst our subscription income increased by only £340 and our investment income by some £270, so that in the result we had a deficit of £2,438 against a surplus of £863.

We make no excuse for the increase in the expenditure on relief, because this was obviously necessary in order to enable our beneficiaries to maintain a more reasonable standard of life.

Details, without names of course, of the cases we have helped and the individual amounts of relief granted are given on pages 25 to 33 of the report, and a perusal of these should indicate that each case is decided on its merits and that we are by no means profligate in granting relief.

The really disturbing feature is that against relief of £18,000, our subscriptions amount only to £7,800, and that only some 3,300 out of the Institute membership of 32,500 support the Association. The moral is obvious—the Association ought to be supported by very many more members of the Institute, and I do appeal to the district societies and branches to make a special

effort this year to bring the Benevolent Association to the notice of the members of the Institute in their respective areas and to help us increase very materially the number of subscribers to the Association.

The expressions of thanks in the latter part of the annual report are no mere formalities—they were penned in sincerity—and whilst it may be invidious to mention anyone in particular, I would like to say here and now how grateful we all are to our Investment Sub-Committee, Messrs. Davis, Eke and Touche, for their sterling work which is reflected in the fact that our investments, which cost approximately £134,000, had at February 29, 1960, a market value of close on £305,000. Here, indeed, is a practical illustration of the justification of the legislation recently introduced to widen the investment powers of trustees who were not so happily placed as we were in being able to widen our powers by reference to our own constituents.

With those few remarks I beg to propose: "That the report and accounts of the Benevolent Association for the year ended February 29, 1960, be adopted." I will ask the President of the Institute to be good enough to second that proposal.

**Mr. C. U. Peat, M.C., M.A., F.C.A.** (President of the Institute), seconded the resolution, and it was carried unanimously.

**Mr. R. Harrop, F.C.A.** (London), moved "That the honorary auditors, Mr. Geoffrey Bostock, F.C.A., and Mr. Leonard Walter Bingham, F.C.A., be re-elected for the ensuing year and that our thanks to them for their honorary services during the past year be recorded."

**Mr. S. G. Ward, F.C.A.** (Barnet), seconded the resolution, which was carried unanimously.

**The President:** I should like to add to your thanks the thanks of the executive committee for the work which our honorary auditors do. That concludes the business of the annual meeting and we now proceed to the special general meeting, of which due notice has been given.

The purpose of this meeting is to consider and, I hope, to pass the resolution set out at page 3 of the annual report.

The underlying reason for this resolution is to authorise the integration of the Incorporated Accountants' Benevolent Fund with that of our Association. This is, of course, a natural corollary of the integration of the Society with the Institute.

I do not think that there is anything that I can usefully add to the information given in the memorandum printed at page 4 of the annual report, save perhaps to say that these proposals have the unanimous support of the Executive Committee and also of the Board of Governors of the Benevolent Association and of the Trustees of the Society's fund. I therefore commend them to this meeting and I formally propose the resolution, and I will ask the President of the Institute to be good enough to second it.

**Mr. Peat:** I shall be delighted to second the motion.

**The President:** Any questions on this

matter? (*A pause.*) I therefore put it to the meeting. Those in favour; to the contrary; thank you; I declare the motion carried unanimously. That concludes the special general meeting and may I thank you once more for your attendance at this meeting of the Benevolent Association.

**Mr. V. C. Reeve, F.C.A.** (London): Gentlemen, I am sure we are all very grateful to Sir William Carrington for the tremendous time he devotes to our Association, and I have very much pleasure in moving a vote of thanks to the President for his services during the past year. (*Acclamation.*)

**The President:** Thank you very much indeed.

The memorandum referred to by the President is as follows:

1. In the annual report for the year ended February 28, 1959, reference was made to the possibility of merging The Incorporated Accountants' Benevolent Fund (the Society's Fund) with the Association.

2. Details have now been worked out to bring about the merger with the approval of the Trustees of the Society's Fund and after discussion with The Scottish Chartered Accountants' Benevolent Association and the Irish Institute who both approve the proposals.

3. These proposals provide for the closing of the Society's Fund and the transfer of its assets and liabilities to the Association. The Rules of the Association will require amendment so that relief may be given to former members of The Institute of Chartered Accountants in England and Wales and to the widows, children and dependants of such members; and also in certain cases arising out of the war of 1939-1945, to disabled students of the Society and to the dependants of such students and to the dependants of students who lost their lives. If the necessary alterations to the Rules of the Association are approved by members at the Special General Meeting to be called on May 4, 1960, an application will be made to the Court by the Trustees of the Society's Fund and by the Association for approval to be given to the proposals.

4. The great majority of those who were members of the Society at the date of integration have now become members of the English Institute and as such are entitled to apply, in case of need, for assistance from the Association, as are also their widows, children and in certain cases their dependants. For this reason, and contingent upon the Association amending its Rules to ensure that all other potential beneficiaries from the Society's Fund are eligible for relief from the Association, the Trustees of the Society's Fund propose seeking the consent of the Court to the transfer of that Fund to the Association. The Board of Governors, in view of the strength of the funds of the Association, as augmented by the Society's Fund, and its opinion that subscription revenue can and will be considerably increased, has no hesitation in putting forward the proposals which it is believed will commend themselves to an overwhelming majority of the members of the Association.

5. Claims may arise in respect of former members of the Society, or their dependants, who have become members of either the Scottish or the Irish Institute of Chartered Accountants. The Board does not foresee any difficulty in dealing with these claims on the merits of each case in collaboration with the

benevolent fund of the other Institute concerned. As the Association will assume responsibility for any case relating to a former member of the Society, whether or not such member ever became a member of one of the three Institutes, neither the Scottish nor the Irish Institute is claiming an apportionment of the assets of the Society's Fund.

6. The net assets of the Society's Fund at December 31, 1959, were as follows:

	£	£
Investments at market value .. ..	26,904	
Cash .. ..	2,687	
Income tax recoverable (estimated) .. ..	200	
<i>Less</i> Creditors (estimated) .. ..	125	75
	<hr/>	<hr/>
	£29,666	

The grants made by the Society's Fund in 1959 (34 cases) amounted to £2,934. In the opinion of the Board it is unnecessary to make any valuation of the future payments in respect of these cases and impossible to do so in respect of further applications which may be received.

7. Finally the Board wishes to place on record its assurance to the Trustees of the Society's Fund that, if the two funds are merged, it will deal with all applications arising in respect of former members of the Society no less generously than has been the case hitherto. The Board is hopeful that the increase in the claims on the Association will be met by an increase in the number of its subscribers drawn both from former members of the Society and others who have hitherto not been subscribers.

## The President's Dinner

MR. C. U. PEAT, M.C., F.C.A., the President of the Institute, gave a dinner on May 3 at Merchant Taylors' Hall, London, E.C.2 (by kind permission of the Master and Wardens). The President was supported by members of the Council, as shown below.

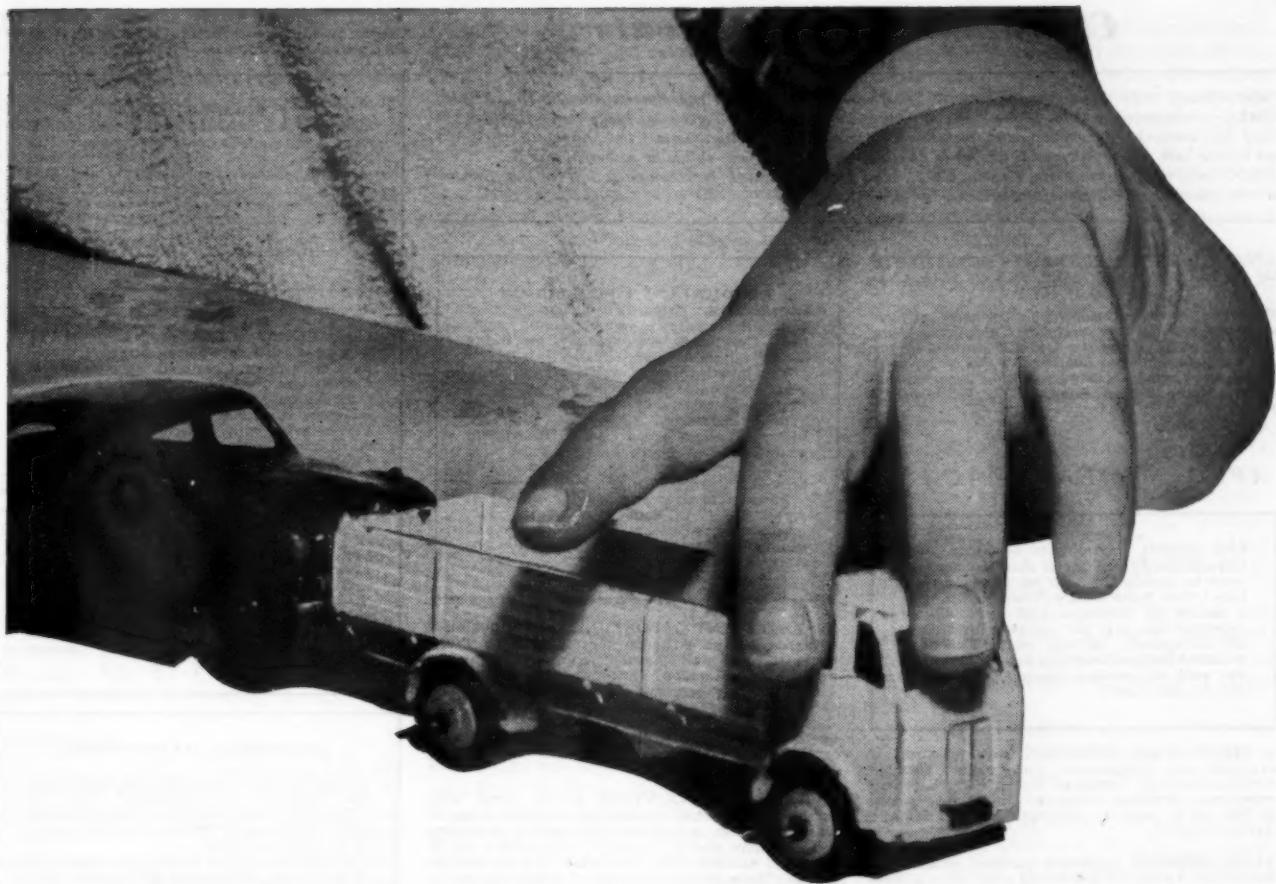
The following guests were present:

Mr. W. G. Agnew, c.v.o. (Clerk to the Privy Council); Mr. James A. Allen, F.C.A. (Joint Liquidator of the Society); Mr. W. M. Allen (an Under-Secretary); Mrs. W. Amor (an Assistant Secretary); Mr. S. J. Aronson, F.C.A. (Assistant Accountant); Mr. H. Garton Ash, O.B.E., M.C., F.C.A. (past President); Mr. R. W. Banks, C.B.E. (former Secretary of the Institute); Sir Harold Barton, F.C.A. (past President); Mr. Sidney J. Barton, J.P. (The Rt. Hon. The Chairman of the L.C.C.); Sir Bernhard Binder, F.C.A. (past President); Mr. James Blakey, F.C.A. (past President); Mr. C. W. Boyce, C.B.E., F.C.A. (past President); Mr. N. E. Bruckland (an Assistant Secretary); Mr. W. L. Burt, M.B.E. (President of the Chartered Auctioneers' and Estate Agents' Institute); Mr. R. J. Carter, F.C.A. (Secretary of the London Students' Society); Mr. L. F. Cheyney, F.S.A.A., F.I.M.T.A. (Secretary of the Institute of Municipal Treasurers and Accountants); Mr. J. W. G. Cocke, T.D., F.C.A. (Secretary of the London and District Society); Mr. H. A. L. Cockerell (Secretary of the Chartered Insurance Institute); Mr. P.

Cooper, T.D., F.C.A. (President of the Northern Society); Mr. J. T. Corbett, F.C.A.; Mr. J. B. Corrin, F.C.A. (President of the Leicestershire and Northamptonshire Society); The Hon. C. W. M. Court, O.B.E., M.L.A., F.C.A.(AUST.) (Deputy Premier of Western Australia); Sir Cecil Crabbe (Chief Registrar of Friendly Societies); Mr. I. A. F. Craig, O.B.E. (a former Secretary of the Society); Mr. C. R. Daniel, F.C.A. (President of the South Wales and Monmouthshire Society); Mr. B. J. Davis, F.C.A. (C.A.B.A. Investment Sub-Committee); Mr. E. H. Davison, F.C.A. (Chairman of the London Industrial Group); Mr. A. S. H. Dicker, M.B.E., F.C.A. (past President); The Rt. Hon. Lord Dovercourt, F.C.A.; The Rev. A. John Drewett (Rector, St. Margaret's, Lothbury); Mrs. J. J. Duncalf (an Assistant Secretary); Mr. Derek du Pré (Secretary of the Institute of Cost and Works Accountants); Mr. Edward Emmerson, F.C.A., F.C.W.A. (President of the Institute of Cost and Works Accountants); Mr. G. B. Esslemont, C.B.E. (President of the Institute of Municipal Treasurers and Accountants); Mr. C. A. Evan-Jones, M.B.E. (an Under-Secretary); Mr. F. E. Figgures, C.M.G. (Under-Secretary, H.M. Treasury); Mr. F. H. H. Finch (Appointments Officer); Miss Margaret Fox, F.C.A. (Chairman of the Women Chartered Accountants Dining Society); Mr. E. J. A. Freeman; Mr. G. R. Freeman, C.B.E., F.C.A. (past President); Mr. A. S. Frere, C.B.E. (President of the Board of General Purposes, United Grand Lodge of Freemasons); Mr. A. A. Garrett, M.B.E. (a former Secretary of the Society); Mr. John W. Gauntlett; Mr. E. B. Goldson, F.C.A. (Chairman of the North Yorkshire and South Durham Branch); Mrs. G. M. Graham; Mr. M. G. J. Harvey, F.C.A. (Accountant to the Institute); Mr. K. P. Helm, F.C.A. (President of the Hull, East Yorkshire and Lincolnshire Society); Lieut. Col. D. V. Hill (Steward of Christ Church, Oxford); Mr. A. W. Howitt, F.C.A.; Mr. D. P. Hubbard (an Assistant Secretary); Mr. G. B. C. Hughes, A.C.A. (Chairman, Union of Chartered Accountant Students' Societies); Mr. Percy F. Hughes (Editor-in-Chief of *The Accountant*); Mr. W. T. Hunter, M.B.E., F.C.A. (President, South Eastern Society); Mr. A. B. Inger, F.C.A. (President, Nottingham Society); Mr. W. Jackson, F.A.C.C.A. (past President of the Association of Certified and Corporate Accountants); Sir Russell Kettle, F.C.A. (past President); Mr. J. C. Latham, D.L. (Director, Association of Certified and Corporate Accountants); Mr. R. G. Leach, C.B.E., F.C.A.; Mr. M. A. Liddell; Mr. Thomas Lister, C.A. (President, the Institute of Chartered Accountants of Scotland); Mr. Leo T. Little (Editor of *ACCOUNTANCY*); Sir Sydney Littlewood (President of the Law Society); Mr. Ernest Long, F.C.I.S. (President of the Chartered Institute of Secretaries); Mr. C. H. S. Loveday, F.C.A. (an Under-Secretary); Mr. E. H. V. McDougall (Secretary, the Institute of Chartered Accountants of Scotland); Mr. Alan S. MacIver, C.B.E., M.C. (Secretary of the Institute); Mr. P. J. Mantle, C.M.G. (Insurance and Companies Department, Board of Trade); Mr. J. W. Margetts, F.C.A.; The Rt. Hon. Lord Mills, K.B.E. (Paymaster-General); Mr. C. D. Morley (Secretary to the Council of the London Stock Exchange); Mr. E. R. Nicholson, F.C.A.; Mr. John Norton; Mr. L. J. H. Noyes, F.C.A. (Secretary, Taxation and Research Committee); Mr. F. C. Osbourn, M.B.E. (Secretary, Association of Certified and Corporate Accountants); Brigadier G. W. A. Painter, D.S.O. (Chairman, Crossways Trust); Mr. G. C. Peat, A.C.A.; Mr. L. Pells, F.C.A.; Brigadier E. C. Pepper, C.B.E., D.S.O., D.L. (Warden, London

House); Mr. C. J. Peyton, F.C.A. (President, Liverpool District Society); Mr. J. F. Phillips, O.B.E. (Secretary, Chartered Institute of Secretaries); Mr. H. J. Potts (Chief Clerk); Sir Richard Powell, K.B.E., C.B., C.M.G. (Permanent Secretary, Board of Trade); Mr. Leslie B. Prince, F.C.A. (Chairman, Rates Finance Committee, Corporation of London); Mr. A. H. Proud, F.C.A. (Chairman, Taxation and Research Committee); Mr. F. M. Redington (President, Institute of Actuaries); Mr. J. M. Renshaw, A.C.A. (Assistant Secretary, Taxation and Research Committee); Miss M. J. D. Reynolds (an Assistant Secretary); Mr. T. A. Roberts, F.R.I.C.S., F.A.I.; Mr. J. D. Russell, F.C.A. (Chairman, London and District Society); Dame Evelyn Sharp, D.B.E. (Permanent Secretary, Ministry of Housing and Local Government); Mr. H. L. Simpson, F.C.A. (past President, Leeds, Bradford and District Society); Mr. C. A. P. Snow, F.C.A.; Mr. T. W. South (an Assistant Secretary); Mr. Raglan Squire, F.R.I.B.A.; Mr. R. J. W. Stacy, C.B. (Insurance & Companies Department, Board of Trade); Mr. J. P. Stephens, F.C.A. (Master, Upholders Company); Mr. Rodway Stephens, F.C.A. (Chairman, Coal, Corn and Finance Committee, Corporation of London); Mr. Geoffrey Stevens, M.P., F.C.A.; Mr. C. A. Surtees; Mr. E. Duncan Taylor, F.C.A. (former member of the Council); Mr. H. W. Thomson (Institute Librarian); Mr. W. F. Tidswell, F.C.A. (President of the Birmingham and District Society); Mr. G. L. C. Touche, F.C.A. (former member of the Council); Mr. F. C. S. Tufton; Mr. C. G. Vaughan-Lee, D.S.C.; Mr. W. B. S. Walker, F.C.A.; Mr. F. H. Walsh, F.C.A. (President of the Manchester Society); Mr. Ronald Ward, F.R.I.B.A. (President, Institute of Arbitrators); Mr. W. S. Wareham (Secretary, Share and Loan Department, London Stock Exchange); Mr. D. McC. Watson, F.C.A. (President, the Institute of Chartered Accountants in Ireland); Mr. Arthur E. Webb (Editor of *The Accountant*); Mr. F. J. Weeks, F.C.A. (President of the Bristol and West of England Society); Mr. E. E. Weymouth, F.R.I.C.S.; Mr. Michael M. Wheeler; Mr. D. H. Whinney, F.C.A. (Hon. Secretary, Chartered Accountants Dining Club); Mr. William Whitfield, A.R.I.B.A.; Mr. F. M. Wilkinson, F.C.A. (Deputy Secretary); Mr. J. M. Williams (St. James's Advertising and Publishing Co. Ltd.); Mr. J. S. Wilson, C.A. (past Chairman, the Association of Scottish Chartered Accountants in London); Mr. R. Wood, C.A. (Hon. Secretary, the Association of Scottish Chartered Accountants in London).

The Council members present were: Mr. S. J. Pears, Vice-President; Mr. E. Baldry, O.B.E., Mr. C. Percy Barrowcliff, Mr. W. L. Barrows, Mr. T. A. Hamilton Baynes, Mr. H. A. Benson, C.B.E., Mr. P. F. Carpenter, Sir William Carrington, Mr. G. T. E. Chamberlain, Mr. D. A. Clarke, Mr. J. Clayton, Mr. C. Croxton-Smith, Mr. W. G. Densem, Mr. S. Dixon, Mr. W. W. Fea, Sir Harold Gillett, M.C., Mr. J. Godfrey, Mr. G. G. Goult, Mr. P. F. Granger, Mr. L. C. Hawkins, Mr. J. S. Heaton, Mr. D. V. House, Sir Harold Howitt, G.B.E., D.S.O., M.C., Mr. P. D. Irons, Mr. J. A. Jackson, Mr. W. H. Lawson, C.B.E., Mr. H. L. Layton, Mr. R. B. Leech, M.B.E., Mr. R. McNeil, Mr. J. H. Mann, M.B.E., Mr. R. P. Matthews, Mr. W. Bertram Nelson, C.B.E., Mr. W. E. Parker, C.B.E., Mr. F. E. Price, Mr. P. V. Roberts, Mr. L. W. Robson, Sir Thomas Robson, M.B.E., Mr. K. G. Shuttleworth, Mr. D. Steele, Mr. C. M. Strachan, O.B.E., Mr. J. E. Talbot, Mr. A. D. Walker, Mr. A. H. Walton, Mr. V. Walton, Mr. E. F. G. Whinney, Mr. J. C. Montgomery Williams,



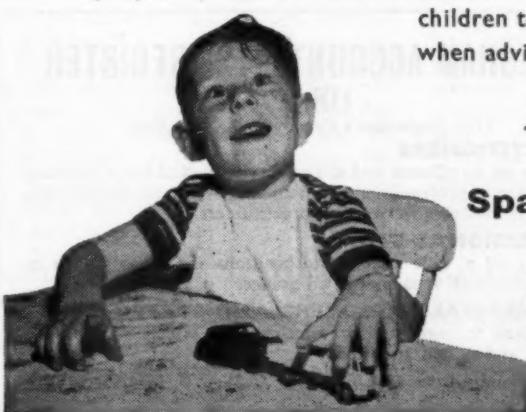
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(continued on page xxxv)

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Mr. R. P. Winter, C.B.E., M.C., Mr. E. K. Wright, Sir Richard Yeabsley, C.B.E.

No formal speeches were given. Mr. C. U. Peat, the President, briefly and informally welcomed the guests, and Lord Mills replied in the same vein. A short reply was also given by the Hon. C. W. M. Court, Deputy Premier of Western Australia. Sir Harold Howitt briefly described the Merchant Taylors' Hall and the rest of the building of the Company.

Entertainment was provided by Mr. Elton Hayes with his guitar.

Support from members for Residential Conferences has been such that it seems desirable to hold, each year, one on Management Accounting and another on Taxation.

The Regional Taxation and Research Committee, under the chairmanship of Mr. G. R. Appleyard, has given consideration to current legislation and matters, including the revision of the Companies Act, referred by the main Taxation and Research Committee or raised by members.

It is considered desirable to provide for representation of Branches on the Committee, and notice is given of a proposed alteration in the Rules to make this possible.

*Vacancies on the Committee*

*In practice—Four vacancies*

Mr. C. J. M. Bennett, Mr. A. P. Hughes and Mr. C. Romer-Lee retire in accordance with Rule 7 and are deemed to be nominated for re-election. Mr. A. G. Touche retires and does not seek re-election. The Committee record their appreciation of his services.

*Employed in the service of a practising accountant—One vacancy*

Mr. L. J. Ezra retires and is deemed to be nominated for re-election.

*Not in either of the foregoing categories—Two vacancies*

Mr. D. C. Urry retires in accordance with Rule 7 and Mr. G. A. Slator in accordance with Rule 18. Being eligible and willing to serve, they are deemed to be nominated for re-election. Mr. Slator was co-opted in place of Mr. S. L. Pleasance who retired during the year owing to pressure of business.

During 1959/60 four evening meetings and two luncheons were held, at which addresses were given.

A dinner and dance held at Grosvenor House on March 30, 1960, was very well supported.

A dinner for members was held in the Mansion House on October 6, 1959.

A residential conference on management accounting was held at Pembroke College, Cambridge, on September 24–26, 1959, and one on taxation at Eastbourne in March, 1960.

Members of the Committee visited the District Groups in Jersey, Oxford, Reading and Southend, which have held meetings for discussion and lectures and also social functions.

The discussion groups in London have held meetings during most months on subjects of topical interest. The meetings are informal, and all members are given the opportunity of contributing to the discussion.

The specialised groups, on Taxation and Management, continue and are open to all members of the District Society.

New members are always welcome.

**LONDON**

**Annual Report**

THE MEMBERSHIP ON March 31, 1960, was 6,530 against 6,016 last year.

The Group for Bedfordshire, Buckinghamshire and Hertfordshire has attained the status of a Branch.

**MANCHESTER**

**Annual Report**

THE MEMBERSHIP AT the end of 1959 was 1,583, including 405 members of the North Lancashire Branch and ninety-six of the Bolton Branch.

After structural alterations had been com-

pleted and a twenty-one year lease arranged, the new Hall was formally opened on May 1.

The annual dinner was held in November. There were informal sherry parties in May and September to enable successful finalists in the area to meet members of the Society.

There was an improved attendance at evening meetings, and monthly luncheons have been organised. A discussion group has been formed.

An Advisory Sub-Committee is available to articled clerks who desire guidance on other than purely technical problems. The Joint Tuition Committee of the Society and the Students' Societies arranges Saturday morning lectures and residential courses.

The Committee congratulates students who gained certificates of merit in the examinations: J. P. Hardman (Final), R. G. Caldwell and M. Pearson (Intermediate). Prizes open to candidates in the Manchester area have been awarded to J. P. Hardman (four prizes), C. A. Jones, P. J. C. Bagot, D. A. Smith, P. B. Hill, M. Pearson, K. D. Taylor and B. Dickin.

The size of the Regional Taxation and Research Committee has been increased. Several subjects have been considered and memoranda submitted to the main Committee.

Mr. Herbert Sutherst resigned from the District Society Committee on transfer to London. The Society appreciates his valuable work over twenty-seven years, including fifteen years as Honorary Secretary and two years as President. Mr. A. T. Eaves resigned owing to ill health. Mr. Eastwood has relinquished the office of Hon. Secretary after three years of untiring efforts, and has been succeeded by Mr. T. W. E. Booth.

**NORTH LANCASHIRE BRANCH**

THE NORTH LANCASHIRE Branch of the Manchester Society of Chartered Accountants held its annual dinner at the Imperial Hotel, Blackpool, on March 31, Mr. Eric W. Wells, F.C.A., being in the chair.

Proposing the toast of the Institute of Chartered Accountants in England and Wales, Mr. William H. Openshaw, Recorder of Preston, maintained that accountancy owed its existence to two disasters: the South Sea Bubble, which led to the Companies Acts, and the introduction of income tax to pay for the Napoleonic Wars.

Mr. Sidney J. Pears, F.C.A. (Vice-President of the Institute) replied to the toast. Mr. Eric W. Wells, F.C.A. (Chairman of the Branch) proposed the toast of the guests, to which a response was made by Mr. Charles F. Wilford, Editor of the *Lancashire Evening Post*.

**SOUTH EASTERN**

THE FOLLOWING OFFICERS have been elected: President, Mr. G. W. Davies, F.C.A.; Vice-Presidents, Mr. A. S. Watson, F.C.A., and Mr. A. D. Langridge, F.C.A.; Hon. Secretary, Mr. W. R. McBrien, F.C.A., Gibbons & Mitchell, 7/8 Wellington Square, Hastings; Hon. Treasurer, Mr. John H. Mitchener, F.C.A.; Hon. Secretary, T. & R. Committee, Mr. K. Mashford, F.C.A.



MR. G. W. DAVIES, F.C.A.

*Mr. Geoffrey William Davies has been elected President of the South Eastern Society of Chartered Accountants. He qualified in 1940, but spent the next six years on active service, first in the London Irish Rifles and later in the R.A.O.C., in which he attained the rank of Major. In 1947 he joined Messrs. Edmonds & Co., Chartered Accountants, Eastbourne, becoming a partner in 1950.*

*Mr. Davies has been a member of the Regional Taxation and Research Committee since 1953, and a member of the Committee of the District Society since 1955. He has twice been Chairman of the Sussex Chartered Accountant Students' Society and is well known to students for his lectures on taxation.*

#### SOUTH LANCASHIRE BRANCH

THE ANNUAL GENERAL meeting of the South Lancashire Branch of the Liverpool Society was held at the Masonic Hall, Warrington, on March 18. The following officers were elected for the ensuing year: Chairman, Mr. J. W. Cook, M.A., LL.B., F.C.A.; Vice-Chairman, Mr. E. S. Stanley, F.C.A.; Hon. Secretary, Mr. B. S. Hardman, A.C.A.; Hon. Treasurer, Mr. S. Dobb, F.C.A.

The annual dinner was held later the same evening. The Branch Chairman, Mr. J. W. Cook, M.A., LL.B., F.C.A., together with Mr. W. L. Barrows, J.P., LL.D., F.C.A. (past President of the Institute of Chartered Accountants in England and Wales), received about 100 members and guests, including His Honour Judge Edward Steel; Mr. C. J. Peyton, F.C.A. (President of the Liverpool Society); Mr. A. A. Bottomley (President, Warrington Law Society); Mr. H. K. Burns and Mr. H. W. Evans (H.M. Inspectors of Taxes); Mr. F. W. Blachford (representing the Warrington Branch of the Institute of Bankers); Mr. P. M. Jackson, (Headmaster, Boteler Grammar School, Warrington); Mr. S. Morris, F.C.A. (Secretary, Liverpool Society of Chartered Accountants); Mr. G. F. Saunders, F.C.A., and Mr. A. D. Walker, F.C.A. (members of the

Council of the Institute); Mr. T. Sarl-Williams, F.C.A., and Mr. P. G. Lane, A.C.A. (Chairman and Secretary of the Chester and N. Wales Branch of the Liverpool Society); Mr. J. B. Garside, F.C.A., and Mr. J. W. Manderson, F.C.A. (Chairman and Secretary, the Isle of Man Branch of the Liverpool Society).

During the evening the Chairman presented book prizes to two articled clerks, Mr. R. G. Caldwell (Warrington) and Mr. J. Kirby (Widnes), who gained certificates of merit in the recent Intermediate examination.

#### Students' Society of London

##### Annual General Meeting

THE ANNUAL GENERAL meeting of the London Students' Society was held on April 25. Mr. W. E. Parker, C.B.E., F.C.A., the President, was in the chair.

Mr. M. W. Russell, A.C.A., the Chairman of the Committee, in seconding the adoption of the report and accounts for 1959, drew attention to the fact that income exceeded expenditure by £1,900. The increased surplus was mainly due to the inclusion for the first time of a full year's subscriptions from members transferred from the Incorporated Accountants' Students' Society. But the general tendency was for costs to rise faster than income, so that it would not be right to expect a series of such additions to the accumulated fund. The policy of the Committee had been to buy gilt-edged stocks and to arrange the redemption dates in a ladder which would secure ultimately a substantial excess over cost in money value. Advice was now being taken on the advisability of putting some of the funds in equities.

The Committee wished to emphasise that the library facilities were not being used enough. Students could have up-to-date textbooks at a much lower cost than they would have to meet if they bought the books themselves. He referred to the quotation in the annual report of the student who suggested that the Society might start a lending library. There were many others equally lacking in knowledge of and interest in the Society's facilities.

Turning to the constitution of the Committee, he emphasised that the Society was run by students for students. There were very few qualified members on the Committee and they were all former student members. The Committee welcomed the fact that this year there were fourteen candidates for the seven places to be filled. And members of the Committee were not delegates from any sub-section of the Society. They were there as students representing all the student members.

After a number of questions had been raised on the report and accounts, they were adopted unanimously.

The retiring President, Vice-Presidents, Hon. Treasurer and Hon. Auditors were re-elected, with lively thanks for their past support and for their willingness to continue.

Three of the seven retiring members and four others were elected to the Committee. They were Mr. D. J. V. Endicott, Mr. R. E. J. Fisher, Mr. G. B. C. Hughes, B.A., A.C.A., Mr. M. A. Khan, B.COM., Mr. M. A. Line, Mr. M. W. Russell, A.C.A., and Mr. T. G. Sylvan.

The following motion was proposed: "This meeting requests the Committee to investigate the possibility of promoting closer unity amongst members by finding a suitable centre for them to meet socially and informally, including facilities for obtaining refreshments, lounges, and at the same time providing accommodation for the Society's offices, library and study room, and asks the Committee to report to the next annual general meeting on: (1) the extent of any accommodation which could be made available for the above; (2) the possible location of such a centre; (3) the estimated costs of such a scheme; (4) how it could be financed; (5) earliest date at which proposals could be put into effect; (6) specific objections to the proposals (if any)."

The Chairman of the Committee said they welcomed and accepted the suggestion. A sub-committee would be set up, and the proposer and seconder would be asked to join the sub-committee. The motion was adopted.

The proceedings ended with an enthusiastic vote of thanks to Mr. Parker.

#### Chartered Accountants' Golfing Society

MR. L. V. MILLS was elected captain at the annual general meeting of the Chartered Accountants' Golfing Society held on May 7, during the week-end meeting at Woodhall Spa Golf Club. The President (Mr. J. B. Pittman) and the other officers were re-elected. The winners of the competitions were: Captain's Prize and Ernest Cooper Cup: A. W. Coleman; runner-up, A. M. Milling; Scratch Prize: G. L. Foulds; Saturday foursomes: M. Green and P. Wand; runners-up, P. H. Blandy and H. C. Staines; Sunday foursomes: S. W. Penwill and P. H. Blandy; runners-up, W. B. Henderson and A. M. Milling.

The annual match against the Bar Golfing Society, played on the Woking Course on April 9, resulted in a win for the Chartered Accountants by nine matches to one. The annual match against the London Solicitors was played at the Royal Ashdown Forest Course on April 24. The solicitors won by 6½ matches to 3½.

The contest with the Association of Scottish Chartered Accountants in London Golf Club for the Wood Cup took place at Denham Golf Club on April 28. Scotland regained the Cup by 356 points to 341.

## Institute Examination Results Delayed

IN VIEW of the number of candidates sitting at the May, 1960, Intermediate and Final examinations of the Institute it has become necessary to vary the date on which results will be posted to candidates and the date of publication of results at the Institute. Each candidate may now expect to receive by post on Saturday, August 6, 1960, a notice informing him of his pass or failure. The full list of successful candidates will be exhibited at the Institute offices, Moorgate Place, at noon on Tuesday, August 9, 1960.

Candidates at the May, 1960, Final examination of the Society are unaffected. They may expect to receive their results on Saturday, July 23, 1960, as previously announced. The full list of successful candidates will not, however, be exhibited until Tuesday, August 9, 1960.

## University Conference of Firm of Chartered Accountants

What is believed to be the first such conference of a firm of accountants at either of the two ancient universities was held by Thornton Baker & Co. (Chartered Accountants, of Leicester and other towns) at University College, Oxford, at the week-end of April 8 to 10. Seven talks were given by partners or members of the staff, followed by discussions and questions. There was time also for informal chats and for social activities.

## Forthcoming Events

### BIRMINGHAM Members' Meeting

May 30.—Annual general meeting of Birmingham District Society. Imperial Hotel, Temple Street, at 2 p.m., preceded by luncheon.

### Students' Function

June 3.—Students' annual summer dance. The Botanical Gardens, Edgbaston.

### CANTERBURY

June 21.—Students' all-day lecture meeting. Lectures on "Professional Etiquette," by Mr. R. S. Waldron, A.C.A., at 11 a.m. and "General Principles of English Law," "Mercantile Law," and "Company Law," by Mr. R. D. Penfold, LL.B., Barrister-at-Law, County Hotel, at 2 p.m.

### DUNSTABLE

May 23.—Annual general meeting of Beds., Bucks. and Herts. Branch. Halfway House Hotel, at 7.30 p.m.

### HESWALL Members' Meeting

May 20.—Golf Competition of Liverpool Society and Students' Association. Heswall Golf Club.

### LEICESTER Members' Meeting

June 2.—Annual general meeting of Leicestershire and Northamptonshire Society. Grand Hotel, followed by luncheon meeting, to be addressed by Mr. S. H. Crockett on "Contracting Out of the Graduated State Pension Scheme."

### LONDON

#### Members' Meetings and Function

May 25.—Lecture, commentary and discussion on Spring Mechanised Accounting Course, by Mr. Dudley W. Hooper, M.A., F.C.A. (Chief Organising Accountant, National Coal Board). Chartered Insurance Hall, 20 Aldermanbury, E.C.2, at 5.30 p.m.

May 31.—Annual general meeting of London and District Society. The Oak Hall of the Institute, E.C.2, at 6 p.m.

June 1.—Meeting of Taxation Discussion Group. The Cheshire Cheese, 10 Surrey Street, W.C.2, at 6 for 6.15 p.m.

June 8.—Meeting of City Discussion Group. The Tiger Tavern, 1 Tower Hill, E.C.3, at 6 for 6.30 p.m.

June 9.—Monthly meeting of "The Taverners." Black Horse, Barbican, London, E.C.1, at 6.30 p.m.

June 16.—Members' Summer dance, at Hurlingham.

### MANCHESTER

June 13.—Members' luncheon meeting. Speaker, Mrs. Alice T. Curran, Consul-General of the U.S.A. The Board Room, 46 Fountain Street, at 12.45 p.m.

### OXFORD

May 20 (Friday).—"The Finance Bill," by Mr. John E. Talbot, F.C.A. Members' meeting. The Royal Oxford Hotel, at 6 for 6.30 p.m.

### SHEFFIELD Members' Meeting

June 20.—Annual general meeting of Sheffield and District Society. The Law Society Hall, Campo Lane, at 2.15 p.m.

### WALLASEY

May 27.—Liverpool Society's Golf Match against H.M. Inspectors of Taxes. Wallasey Golf Club.

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### WARRINGTON Members' Meeting

June 15.—Annual golf competition of the South Lancashire Branch. Warrington Golf Club.

## Personal Notes

Mr. S. J. Pears, F.C.A., Vice-President of the Institute, and senior partner in Cooper Brothers, Chartered Accountants, has been appointed by Lord Hailsham, Minister for Science, as a part-time member of the United Kingdom Atomic Energy Authority.

Mr. W. E. J. Miles, F.C.A., has been appointed secretary of the Bowater Paper Corporation Ltd.

Messrs. Hay and Swannell, Chartered Accountants, Wellingborough, have opened an office at 1 Castilian Terrace, Northampton.

Messrs. James Kimche & Co., Chartered Accountants, announce that they have admitted into partnership Mr. Murray J. Goldburgh, F.C.A., and Mr. Max Baker, A.C.A. The name of the firm remains unchanged. They are now practising at 15 Red Lion Square, London, W.C.1.

Messrs. Ware, Ward & Company, Chartered Accountants, Bristol and Torquay, announce that Mr. J. S. Phillips, F.C.A., has retired from the partnership, and Mr. R. C. Bassett, A.C.A., has been admitted into the partnership. The name of the firm remains unchanged.

Messrs. Blackburns, Robson, Coates & Co., Chartered Accountants, London, W.1, Leeds, Bradford and Manchester, announce the following partnership changes at their Leeds office. Mr. Eric H. Newman, B.A., F.C.A., who has been associated with the firm since 1931 and a partner for the last twelve years, has retired from the firm in order to take up business interests in the South of England. Mr. Peter D. Sugden, M.A., LL.B., A.C.A., son of Mr. Ernest Sugden, F.C.A., and Mr. Michael E. Roberts, F.C.A., have been admitted to partnership. Both have served the firm in a senior capacity for a number of years.

Messrs. Herbert Godkin & Co., Chartered Accountants, Leicester and Loughborough, announce that their senior partner, Mr. J. N. Godkin, F.C.A., has retired from the firm but continues to be available in a consultative capacity. Mr. P. J. Cooney, A.C.A., who has been a member of the staff for a number of years, has been admitted to partnership.

Messrs. M. J. Goldburgh & Co., Chartered Accountants, London, W.C.1, have admitted into partnership Mr. James Kimche, A.C.A., and Mr. Max Baker, A.C.A. The name of the firm remains unchanged.

Messrs. Allan, Charlesworth & Co., Chartered Accountants, London, E.C.3, announce that they have admitted into part-

nership Mr. J. A. Brown, C.A., who has been on their staff for some years. The name of the firm is unchanged.

Messrs. Starkie & Naylor, Chartered Accountants, Leeds, 1, announce that Mr. Arthur J. Naylor, F.C.A., has retired from the firm. The practice will be carried on by the three remaining partners, Mr. R. E. Starkie, F.C.A., Mr. G. E. Lamb, F.C.A., and Mr. N. Kirkman, F.C.A.

Messrs. J. H. and P. J. White, Chartered Accountants, London, E.C.4, and Mr. James D. Peart, C.A., London, E.C.3, announce that they have amalgamated their practices under the style of Peart, White & Co. The combined practice will be conducted by Mr. James D. Peart, C.A., and Mr. P. J. White, A.C.A., at both addresses. Mr. J. H. White, F.C.A., the founder of his firm, has retired from partnership, but is continuing in practice and will be available in a consultative capacity.

Messrs. Litton, Pownall, Blakey & Higson, Messrs. Astbury, Mitcheson & Miller, and Messrs. Dryden, Dorrington & Co. announce that they have arranged for their practices to be run in conjunction from 42 Spring Gardens, Manchester, 2. The partners of all firms are now Mr. James Blakey, F.C.A., Mr. Clarence Rutter, F.C.A., Mr. John D. Thornley, B.A., F.C.A., Mr. Hugh McCreery, F.C.A., Mr. Walter S. Eccles, A.C.A., and also Mr. Graham Cunliffe, A.C.A., who has for several years been employed as a senior clerk by Messrs. Litton, Pownall, Blakey & Higson. Mr. Norman Dorrington, the retiring partner of Messrs. Dryden, Dorrington & Co., remains in a consultative capacity to all three firms.

Messrs. Walter Hunter, Bartlett, Thomas & Co., Chartered Accountants, Newport, Mon., announce that they have admitted into partnership Mr. Gerald Devins, F.C.A., who has been a member of the staff for several years. The name of the firm remains unchanged.

Messrs. Taft, Baldock & Winstanley, Chartered Accountants, Nottingham, announce that they have taken into partnership Mr. S. N. Liebling, A.C.A., who has been a member of the staff for some time. The style of the firm remains unchanged.

Messrs. Alfred Shankland & Sons, Chartered Accountants, Cardiff and Barry, announce that they have taken Mr. David Shankland, A.C.A., into partnership. The firm name remains unchanged.

Messrs. Thomas May & Co., Chartered Accountants, Leicester, announce that Mr. W. D. Murphy, F.C.A., has retired from the partnership on becoming an executive director of the Fox's Glacier Mint group of companies.

Messrs. Harmood Banner, Lewis & Mounsey, Chartered Accountants, Liverpool and London, announce with regret the death of their partner, Mr. G. F. Saunders, F.C.A., on April 23. The practice continues to be carried on by the surviving partners under the same firm name.

Messrs. Cassleton Elliott & Co. and Messrs. Turquand, Youngs & Co. announce that they have formed new partnerships in Nigeria and Ghana under the style of Cassleton Elliott and Turquand Youngs. Messrs. Cassleton Elliott & Co. will continue their separate practices in West Africa.

Messrs. Croudson & Co., Chartered Accountants, have taken Mr. B. J. Rander-son, A.C.A., into partnership at their Leeds office.

Messrs. Greenslade & Co., Chartered Accountants, London, E.C.2, announce with regret the retirement of Mr. W. H. W. Greenslade, F.C.A., senior partner and founder of the firm. He continues to be available in a consultant capacity. Mr. R. G. Chandler, D.F.C., A.C.A., who has been in charge of the Northampton office for some years, has become a partner in the firm.

Messrs. Smallfield, Fitzhugh, Tillett & Co., Chartered Accountants, London, W.1, announce that Mr. W. E. Fitzhugh, B.COM., F.C.A., who has been in ill-health for some years, and Mr. F. R. Tillett, M.A., F.C.A., have retired from the partnership. Mr. R. M. Field, F.C.A., Mr. R. J. Cody, A.C.A., and Mr. T. J. L. Milner, A.C.A., who have been senior members of the staff for a number of years, have been admitted into the partnership. Mr. F. R. Tillett continues to be available for consultation by appointment. The name of the firm is unchanged.

Messrs. Arthur Goddard & Co., Chartered Accountants, London, E.C.2, announce that Mr. Michael Holt, M.A., LL.B., A.C.A., has been assumed as a partner. The style of the firm remains unchanged.

Messrs. Ridley, Heslop & Sainer, Chartered Accountants, London, W.C.2, have taken into partnership Mr. C. E. Wood, F.C.A., and Mr. A. Abrahams, A.C.A., who have both been members of their staff for some years.

## Removals

Messrs. C. Percy Barrowcliff & Co., Chartered Accountants, announce the removal of their offices in Middlesbrough to 68-70 Corporation Road.

Messrs. Allan, Charlesworth & Co., Chartered Accountants, Liverpool, announce the removal of their offices to Refuge Assurance House, Lord Street, Liverpool, 2.

## Obituary

### Mervyn Bell

WE DEEPLY REGRET to record the sudden death on April 29 of Mr. Mervyn Bell, F.C.A. (Ireland).

Mr. Bell was a member of the Council of the Society of Incorporated Accountants from May, 1956, until the date of

integration, when he joined the Council of the Institute of Chartered Accountants of Ireland. He was a past President of the Society of Incorporated Accountants in Ireland, and for many years to the date of integration he was Honorary Treasurer and a member of the Council of the Branch.

Mr. Bell was very active in musical circles in Dublin. He was Treasurer of the High School, Dublin, and a member of the board of governors of Sutton Park School, Sutton, Co. Dublin.

### Russell Leslie Tillett

WE RECORD WITH much regret the death of Mr. Russell Leslie Tillett, F.C.A., senior partner of the firm bearing his name. He began his career by serving articles in his native town of Lowestoft with Mr. Stanley A. Waller, F.C.A., and, coming to London in 1924, as an Associate, with Sunley Sons and Company of Finsbury Pavement. Four years later he set up in practice on his own in humble premises in Camomile Street. It is said that the rent was 10s. weekly and his outlay on furniture £11. He was, however, soon in partnership with Mr. L. W. Glyde, F.C.A., at St. John Street, Adelphi. The partnership was ended in 1934 after which he practised as R. L. Tillett and later as Russell Tillett and Company. He was elected a Fellow in 1936.

Mr. Tillett took a keen interest in company affairs and was a director of many companies, including the Café Royal, Central and District Properties and Wake and Dean. He was also noted for the part he played in acting on behalf of dissatisfied shareholders and, later, as representative of the principals in takeover bids. He will be remembered in this connection principally for his fight, in association with Mr. Harold Samuel, for control of the Savoy Hotel in 1953.

### Alton Ward

IT IS WITH much regret that we record the death of Mr. Alton Ward, F.C.A., senior partner in the firm of W. A. Turner and Co. of Bradford. Mr. Ward became an Associate of the Society in 1910 and a Fellow in 1921, and had been for many years in partnership with Mr. G. R. Turner, M.A., F.C.A.

He had a long history of public service as a Liberal in local government. He was elected an Alderman in Bradford in 1949 and in due course became Lord Mayor and, finally, "father" of the City Council. These activities did not prevent him from serving on the Committee of the Bradford and District Society of Incorporated Accountants, of which he was President in 1936/37. He was also a prominent Methodist, a Rotarian, a worker for youth movements (in particular the Scouts), a musician and a keen football fan.

To his mayoral duties Alton Ward brought great energy and an entertaining freshness of mind. In both the local authority and his Church he commanded the confidence of his fellows. It was only in his eightieth year that persistent ill health caused him to resign last year from his seat on the Bradford City Council.

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## APPOINTMENTS VACANT

(continued from page xxxiv, facing page 311)

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